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PRELIMINARY ANALYSIS ON THE FINNISH MARKET– CASE STUDY 7-ELEVEN

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FOREWORD

The idea for the subject of this thesis came from the time that I spent in Thailand in the spring of 2007 as an exchange student. Convenience stores are very common in the largest cities in Thailand, where 7-Elevens and Family Marts can be found in every street corner. Shopping in convenience stores was a part of our daily lives in Thailand, a part that I missed when I came back to Finland. Ever since that I have hoped for 7-Eleven to expand its operations to the Finnish market. This study is the first step in figuring out if Finland would be a viable market for 7-Eleven.

I would like to use this opportunity to thank everyone who has made it possible for me to complete my thesis. The biggest thanks go to my supervisor Satu Lautamäki, who has been of tremendous help and who has been very understanding and supportive in spite of the tight timetable. I want to thank my family and friends for motivation and support and I want to thank everyone who helped me complete the research by responding to the questionnaire.

Writing this thesis has been a demonstration of my professional skills and a clear indication of how business studies can develop one's mind to a more analytical direction. I have gained a lot by conducting this research and I hope that this thesis will be of use to others as well.

Hanna Kellberg

Vaasa 7.6.2010

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ABSTRACT

Author	Hanna Kellberg
Topic	Preliminary Analysis on the Finnish Market – Case 7-Eleven
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The purpose of this study was to find out if Finland would be a viable market alternative for the convenience store chain 7-Eleven. The study was conducted mainly from the positioning point of view, though some attention was given to the more traditional market analysis.

Whether or not 7-Eleven could position itself in the Finnish market is analysed by studying the population’s opinions about the competition already existing in the market, which is to say the convenience store chains Siwa and R-Kioski. The research was conducted using a convenience sample, which does not provide fully reliable results, but it does give general guidelines about consumers’ images about the stores making it possible conduct the positioning analysis.

The ideology based on which 7-Eleven operates is to be near by and have long opening-hours. Since Siwa and R-Kioski have already positioned themselves using those values, 7-Eleven should possess another distinguishing feature. Siwa and R-Kioski are not known for their own products. Therefore the most sensible option for 7-Eleven is to promote their own products.

The market analysis suggests that even though the Finnish market is relatively small with some five million inhabitants, there is purchasing power. The competitors are not draining the market, so there probably is room for another convenience store chain. As a result, it does seem both from the positioning point of view as well as based on the market analysis, that there might very well be room for 7-Eleven in the Finnish market.

UDK

Keywords Positioning, 7-Eleven, Market Analysis, Finnish Market

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TIIVISTELMÄ

Tekijä	Hanna Kellberg
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Tutkimuksen tarkoitus oli selvittää 7-Eleven-ketjun elinkelpoisuus Suomen markkinoilla. Tutkimus tehtiin pääasiassa positioinnin näkökulmasta, mutta myös perinteisempi markkina-analyysi otettiin huomioon.

7-Elevenin mahdollisuuksia menestyä Suomen markkinoilla tutkittiin selvittämällä kohderyhmän mielipiteitä markkinoilla jo toimivista kilpailijoista Siwasta ja R-Kioskista. Tutkimus on tehty käyttämällä harkinnanvaraista otosta, minkä vuoksi tulokset eivät ole täysin luotettavia, mutta antavat yleistä suuntaa kuluttajien mielipiteistä ja mahdollistavat positiointianalyysin suorittamisen.

7-Elevenin toimintaperiaate on olla helposti lähestyttävä, toisin sanoen olla lähellä kuluttajia ja pitää mahdollisimman pitkät aukioloajat. Siwa ja R-Kioski ovat positioineet itsensä kauppoina, jotka ovat lähellä ja joilla on hyvät aukioloajat. Koska Siwaan ja R-Kioskiin liitetään jo nämä mielikuvat, 7-Elevenin täytyy erottautua niistä muilla keinoin. Yksikään vastaajista ei ilmoita tekevänsä ostoksia Siwassa sen omien tuotteiden vuoksi ja vain neljä tekee ostoksia R-Kioskissa sen omien tuoteiden vuoksi, joten 7-Elevenin olisi järkevintä erottua joukosta omilla tuotteillaan.

Markkina-analyysin mukaan Suomen markkinoilta löytyy ostovoimaa, vaikka markkinoiden suhteellinen koko on pieni. Kilpailijat eivät kata kokonaan markkinoita, joten markkinoilla todennäköisesti on tilaa uudelle kauppaketjulle. Näyttää siltä, sekä positioinnin että markkina-analyysin pohjalta, että Suomen markkinoilla voisi hyvinkin olla tilaa 7-Elevenille.

UDK
Asiasanat Positiointi, 7-Eleven, markkina-analyysi, Suomen markkinat

CONTENTS

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1 INTRODUCTION

Retail internationalisation has for a long time been a subject of research and therefore there is a lot of literature available concerning the subject. The most common focal points in the studies are motives for retail internationalisation, the geographical flows of investment, the temporal dimensions of investment, case histories of individual firms and the impact of internationalisation. In addition to emphasising different subjects within retail internationalisation, all studies are written with different angles to the subject depending on whose purposes the study is intended to serve (e.g. individual companies, retail formats, the industry as a whole) giving a variety of views to the matter. (Burt and Carralero-Encinas 2000)

Though many theories have been developed based on the observations made about the manufacturing sector, the application of those theories into practise hasn’t been straightforward. The characteristics of retailing are very different from those of the productive sector and therefore any attempts to use theories based on the practises of the manufacturing sector are more or less doomed. (Burt and Carralero-Encinas 2000)

The key to success in all business operations is competitive advantage and identifying its source is important for a retailer. In retailing the source is the value added through performance of functions. It is of utmost importance to identify and understand the source of competitive advantage before expanding operations abroad.

There are two approaches that could be used in retail internationalisation. Those are global approach, which involves a high degree of standardisation of management functions and multinational approach, which responses more to host market conditions than global approach. The case company, 7-Eleven, uses global approach in its functions. Its operations are highly standardised, which is convenient given the global nature of the chain. (Burt and Carralero-Encinas 2000)

Despite the extensive literature on retail internationalisation, it is hard to find material on the image and positioning of retailers who are operating outside their home market. The area has hardly been touched in scientific literature. (du Preez and van der Vyver 2010)

The process of analysing store image in relation to home environment and host environment starts with defining what store image actually is, how it can be measured and how to define it. This is no easy task and many have tried and failed in creating a comprehensive list of attributes of which a store image comprises. There are various tangible and intangible dimensions as well as complex meanings and relationships that customers affiliate with retailers and are hard to list and define. A set of attributes that have been generally accepted as determinants of store image have survived criticism better than most lists of the subject, though the list is not fully comprehensive. Such attributes are merchandise, service, clientele, physical facilities, promotion, store atmosphere, institutional factors and post-transaction satisfaction. (Burt and Carralero-Encinas 2000)

It is worth noting that the perceptions of management's view of image often differ greatly from that of the customer's. This gap, in addition to differences in interpretation caused by different cultural and behavioural backgrounds, are a potential source of additional problems in foreign markets. (Burt and Carralero-Encinas 2000)

This study gives its contribution to the research of store image and internationalisation process of a convenience store from the case company's point of view. The case company is an international convenience store chain 7-Eleven. This research not only gives 7-Eleven answers to whether or not they could and should expand their operations to Finland, but also finds out how Siwa and R-Kioski, the most prominent competitors in the Finnish convenience store sector, are viewed by the customers and how they have managed to position themselves.

The positions of R-Kioski and Siwa are analysed based on customer's views on them and customer satisfaction, which are measured with a questionnaire. A number of theories have been developed to analyse customer satisfaction and some of the listed attributes are the physical environment of the store, procedures followed in the store (cashiers, queues, trolleys etc.), contact with personnel and what is offered in the store, for example product variety, assortment, quality and prices (Theodoris and Chatzipanagiotou 2008).

1.1 Research problem and restrictions

The purpose of this study is to find out if Finland would be a viable market alternative for the convenience store chain 7-Eleven.

The research problem is whether Finland is a viable market for 7-Eleven and if there is room for 7-Eleven in the Finnish market.

The main focus is on positioning, so there is only a little consideration to other matters. A market analysis is made, but in a rather limited manner. More emphasis is put on the positioning perspective.

1.2 General description of the thesis

The main focus in both the theoretical framework and the empirical study is on positioning. Positioning is a popular tool used in finding market opportunities. A positioning study seeks to identify consumers' images about the products being investigated (usually your own product and the competing products in the same strategic group) and create figures or tables that can be analysed in order to find out how the general population sees the products in relation to each other. Such analysis can uncover unmet potential in the market and a need for a completely new product.

When thinking about entering a new market one must consider factors like the market's willingness to accept new products/brands, the market's ability to accept new products (purchasing power etc.), the company's ability to expand to a new market and the legal restrictions. Expanding to a new market requires thorough research about the new market, the company's current situation, the product and if the product could survive in the market. After extensive research, long preparations using a lot of resources are needed to avoid substantial losses.

In order to understand the role of positioning, an empirical study is made. It is based on the presumption that the international convenience store chain 7-Eleven enters the Finnish market. What makes the topic interesting is analysing how the brand would differentiate from the main competitors already operating in the market and what kind of positioning strategy could be used to carry out a successful entrance to the market.

1.3 Structure of the thesis

The thesis is divided into three sections, first of which is the introduction. It introduces the research problem and restrictions of the study, general description of the thesis and the structure of the thesis.

The second section is the theoretical part and it presents the theories on which the research is based on. The theories needed to conduct the study are market analysis, positioning, differentiation, branding and image.

The third section is the empirical study, which presents the research and where the gathered data is presented and analysed. After conducting the market analysis, it is explained which research methods were used in conducting the positioning research. It shows how the study was conducted, what the results are and how they are analysed. The reliability and validity of the thesis are discussed at the end of the chapter.

Fourth section includes the conclusion of the thesis. The conclusion part summarises the findings, after which some suggestions for the future are given.

At the end of the thesis there is a list of sources and the appendices. Appendices include the source questionnaire, the target questionnaire and the results of the study.

The following figure (figure 1) presents the structure of the thesis in an organized, comprehensive manner. It covers all the topics and it makes it easy to perceive the structure of the thesis.

Introduction

Research problem and restrictions
General description of the thesis
Structure of the thesis

Theoretical Framework

Market analysis
Positioning and differentiation
Branding and image

Empirical study

Market overview
Research methodology
Conducting the research
Results of the questionnaire
Analysis of the answers
Reliability and validity

Conclusions and Suggestions

Summary of the findings
Suggestions based on the research

Figure 1. Structure of the thesis

2 THEORETICAL FRAMEWORK

This chapter presents the theoretical framework of the thesis. It introduces the theories based on which the empirical study is conducted.

2.1 Market analysis

Market analysis is conducted in order to gain information about the market and to find out how a company can improve its sales or to examine whether it would be possible for the company to enter the market. (Netmba 2010)

Professor Emeritus David A. Aaker has determined seven factors that should be taken into consideration when doing a market analysis (see Figure 2). Those factors are market size, market growth rate, market profitability, industry cost structure, distribution channels, market trends and key success factors. In addition to the current market size, the future size of the market should also be considered. (Netmba 2010)

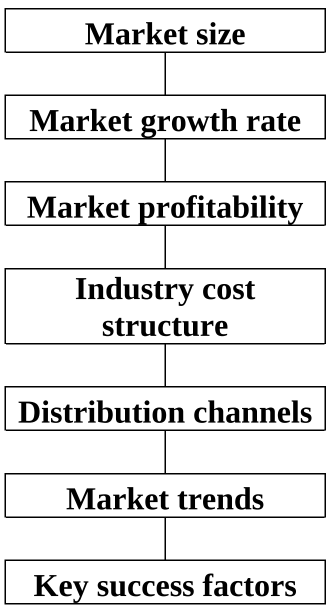

Figure 2. The seven forces of market analysis (Netmba 2010)

Market growth rate can be determined by studying the demographics of the market and sales growth of the product in the past or better yet, by studying the demographics and sales growth of similar products. (Netmba 2010)

The easiest way to assess the market profitability is to look at the average profit potential. Porter's five forces (see Figure 3), which were developed by Michael Porter, identify the five factors influencing the profitability of a market. The five forces are buyer power, supplier power, barriers to entry, threat of substitute products and rivalry among firms in the industry. (Netmba 2010)

Figure 3. Porter's Five Forces (Vectorstudy 2010)

The structure of an industry can be defined by analysing these forces, which shape the competition. Profitability can be predicted by comparing the intensity of the factors. If the analysis shows that the forces within an industry are intense, it is harder to make profit than within industries where the forces are advantageous. Competition and productivity are steered by the industry structure, which also, to some extent, determines the profitability of an industry in the long run. (Porter 2008)

To analyse the current competition as well as forecasting the future competition it is important, not only to understand the competitive forces, but also to understand the how the forces have been shaped into what they have become. This knowledge should be used to design a strategy and to defend the company against competition. To be able to design and carry out intelligently a strategic positioning plan, it is of utmost importance to understand the industry structure. (Porter 2008)

The relationship between the forces differs between industries and therefore also the most important strategic issues differ between industries. The strongest forces are what need to be considered first in formulating strategy and determining profitability. Economic and technical characteristics are what determine the strength of each competitive force. The sum of these forces is the industry structure. (Porter 2008)

When examining different industries, it can be seen that the intensity of competition can differ substantially. One way of measuring the degree of rivalry is Concentration Ratio, which measures the indicators of industry concentration. The higher the Concentration Ratio is, the more concentrated the industry is and a large portion of the market share is held by the largest operators. Operating in a disciplined market where competition is low has its advantages, but the companies must be careful in their moves. Even though the companies look at their competitors' products and prices and may even discuss the situations, they must avoid being accused of a monopoly. Fragmented markets, where Concentration Ratio is low, are competitive and there are several operators, none of which hold a notable market share. (QuickMBA 2010)

Factors that intensify competition within an industry are a larger number of firms, slow market growth, high fixed costs, high storage costs or highly perishable products, low switching costs, low levels of product differentiation, high strategic stakes, high exit barriers, a diversity of rivals, and industry shakeout. (QuickMBA 2010)

A company can achieve advantage over their competitors by changing prices, improving product differentiation, finding new ways of utilising distribution channels and using their relationship with the suppliers. A good way to gain temporary advantage is to rise or lower prices. Customers can be attracted with product differentiation when the features are improved. It can be worthwhile to rethink what channels of distribution are being used and are there channels that might suit the company but have, for some reason, been ignored in the past. A company that dominates an industry is in a good position to make demands and get what they want from the suppliers. (QuickMBA 2010)

Threat of substitute products means substitutive products of another industry. A good example are aluminium beverage cans, which' price is affected by the price of glass bottles, steel cans and plastic containers. However, the substitutes do not operate in the aluminium can industry and do not pose direct competition. The threat that arises from substitute products is diminishing demand to the product due to the price change of the substitutive product. Having very close substitute products diminishes the company's chances to raise prices. The more there are substitute products, the more elastic is the price elasticity of the product. (QuickMBA 2010)

The bargaining power of customers is evident in situations when the buyers are in a powerful position. These include situations where the buyers are concentrated and the market shares held by individuals are rather small, buyers purchase a notable large percentage of the company's output and when buyers are in the position where they can threaten to purchase the product from a competitor. When buyers have the power, they are in charge of setting the prices. On the other hand, the bargaining power of customers is not notable when the producers can take over the distribution/retailing, the buyer cannot conveniently switch to using another product (at least not without additional costs), buyers are fragmented and when producers supply critical portions of buyers' input. (QuickMBA 2010)

Bargaining power of suppliers is high when there is credible forward integration threat by suppliers. Suppliers are concentrated, when there are significant costs involved when one wants to change suppliers and when the customers are powerful. Suppliers are in a weak position when there are many competitive suppliers and the product is standardised, the purchased products are commodity products, when there is a credible backward integration threat by purchasers, purchases are concentrated and when the customers are weak. (QuickMBA 2010)

Threat of new entrants exists in all industries and it should be taken as seriously as the current competitive rivalry if it is intense within the industry. There are, however, barriers to entry. These barriers are set by government, patents, asset specificity and organisational economies of scale. The barriers prevent new firms from entering a market, which protects the profits of the already existing companies within the industry. It is possible to use the barriers to one’s advantage in strategic planning. (QuickMBA 2010)

It is easy for a new company to enter a market if there is common technology, little brand franchise, access to distribution channels and low scale threshold. What make it difficult for a new company to enter a market are patented or proprietary knowhow, difficulty in brand switching, restricted distribution channels and high scale threshold. (QuickMBA 2010)

The changing market trends often create new opportunities and threats and should therefore be closely monitored. There are certain elements that the company needs to achieve its marketing objectives and those are called the key success factors. They are, for example, access to essential, unique resources, ability to achieve economies of scale, access to distribution channels and technological progress. The key success factors are likely to change in the different stages of the product life cycle. (Netmba 2010)

Assessing the competition and comparing it to 7-Eleven is vital in this thesis for both doing the market analysis and conducting the positioning research. Therefore, a short description about 7-Eleven and the two competing convenience store –chains in the Finnish market are presented in the following sections.

2.1.1 7-Eleven

7-Eleven is the most widespread convenience store –chain in the world. It is the world’s largest franchisor and licensor of convenience stores with approximately 36,700 stores around the world. It operates in the United States, Canada, Japan, Taiwan, Thailand, South Korea, China, Hong Kong, Malaysia, Mexico, Singapore, Australia, Philippines, Indonesia, Norway, Sweden and Denmark. (7-Eleven 2010) In 2009 7-Eleven had 6,378 stores in the United States and 28,763 stores abroad. Most of the stores are franchise based as only 462 stores are company owned. (Entrepreneur 2010a)

The first 7-Eleven was opened in 1927 in Dallas, Texas. Twenty years after the first shop was opened, the stores became known for their extensive opening-hours, which were from 7am to 11pm, hence the name. Today 7-Elevens are open around the clock seven days a week. 7-Eleven is currently owned by a Japanese holding company called Seven and I Holdings Co., Ltd. It became a subsidiary of the holding company in 2005. (7-Eleven 2010)

7-Eleven seeks to satisfy the customers need as conveniently for the customer as possible. That is why the shops are open at all hours and one can shop when it suits them the best. The stores carry approximately 2,500 different products and a typical 7-Eleven is 2,400 to 3,000 square feet. (7-Eleven 2010)

7-Eleven was ranked the third best franchise chain in the Franchise 500® ranking (Entrepreneur 2010b), which lists the top 500 franchises based on the companies’ financial and statistical data between July 2008 and July 2009. The list is, however, not an all-inclusive international list as the conditions set for the companies prevent some companies from making it to the list. To be considered in the ranking the companies must, for example, have at least ten stores out of which at least one is located in the United States. The companies are ranked based on their financial strength and stability, growth rate, size of the system, the number of years the company has been in business, the length of time it's been franchising, start-up costs, litigation, percentage of terminations, and financing provided by the company. The purpose of Franchise 500® is to be a research tool for comparing different franchise operations. (Entrepreneur 2010c)

2.1.2 Current operators in the Finnish convenience store –industry

Currently there are two convenience store –chains in the Finnish market. They are Siwa, which is a part of Suomen Lähikauppa Oy and R-Kioski (also referred to as Ärrä), which belongs to the Sanoma –concern.

The first Siwa was opened in 1981 and since then almost 540 Siwas have opened all across Finland. Siwas are small stores, each one under 400 square meters, so they are allowed to stay open extended hours and during some holidays when bigger stores must stay closed.

Siwa's concept is to offer a quick, easy and a pleasant way for customers to shop. Siwa's have a contract with a Finnish logistic company Matkahuolto, making it possible for customers to pick up their packets from a Siwa of their choice. This is often more convenient for a customer rather than picking the package up from Matkahuolto, which are located more sparsely and have more narrow opening hours. Some Siwa's also provide Veikkaus-service and host postal services. (Siwa 2010) Siwa's carry the basic day-to-day –products, but the gradual shift to a new concept has already introduced ready-to-eat –food in some Siwas.

All Siwas are open each day of the week and the most common opening hours are 7 am to 11 pm, 8am to 9pm and 9 a.m. to 11 p.m. (Kaleva 2010)

The R-Kioski –chain started in Finland in 1910 when the limited company governing the stores, Rautatiekirjakauppa Osakeyhtiö, was established. During the first year 30 kiosks and stores were opened at train stations. Today the chain operates as a part of the Sanoma-concern and there are 699 R-Kioskis in Finland and 860 stores abroad in Estonia, Lithuania, Latvia and Romania.

R-Kioski offers day-to-day –products to some extent, but it is more concentrated on selling sweets and other treats, tobacco, magazines, tickets to events, giftcards, small electronic appliances, renting movies and operating Veikkaus-services. (R-Kioski 2010b)

2.2 Positioning and differentiation

Positioning is an important tool when a company/product/service is trying to find its place in a market. The company should be able to stand out from other similar companies that they are competing with. That is why it is important to differentiate your product/service. Simply put, positioning means differentiating a product in the mind of the consumer. Differentiating means creating such an identity to a product that it is different from the identity of other, similar products. (Hooley and Saunders 1993)

It is not important whether a product is better than its competitors. What matters, is how the product is positioned in the minds of the consumers. It is possible to position a product as superior to other products, when in reality its functional properties are anything but superior to those of the competitors. (Pulkkinen 2002, 57)

Through positioning it is possible to create an image to the consumers about the brand that is being marketed. An image or a brand is nothing but a perception of a product/service/company in the customer's mind and for the company it is crucial that that image differs from the image that the customers have about their competitors. The differences should be notable enough to create clearly separate visions about the competing brands in the minds of the customer. (Trout 2000)

A brand can also be re-positioned, which means changing the identity of a product in relation to the competing products in the minds of the consumers. De-positioning is also possible. It means that you try to change the identity of the competing products in relation to your product in the minds of the consumers. (Trout 2000)

Since positioning is something that happens in the minds of the consumers, it is important to understand how the mind works. Every day the mind has to process huge amounts of information bombarded from the media. Minds are overloaded with incoming information, which has to be taken in or ignored. This is why it is harder and harder to get information through to people. The differentiation of a product must be as simple as possible to make it easy for it to stick to consumers' minds and it must be repeated as many times as possible in the media. (Trout 2000)

Because minds are limited, a too small of a difference may not be enough to create a unique image of a product. Also, the interest created by an advert depends on what is being advertised. A perfume is much more likely to arouse interest than an advert about floor coverings. (Trout 2000)

When positioning a product, you must have an understanding of the competition and how the consumers view them. Only then can you start thinking about how to differentiate your product. (Trout 2000)

Minds avoid complexity and chaos. Therefore, the best way to get attention and not be forgotten is to oversimplify. All unnecessary information should be taken away and only the essential message that makes you different from everyone else, left in place. (Trout 2000)

The constant stimuli for the mind means, that though information is processed, it is also easily forgotten. The best way to stay in consumers' minds is to build a brand which people have no problem remembering and little chance forgetting. (Trout 2000)

Positioning happens in the minds of the customers as they perceive images. Before a consumer makes a decision to buy your product, they compare the image they about it to the images they have about your competitors' products. (Hooley and Saunders 1993)

Since positioning is something that happens in the customers' minds, it is difficult to control what kind of images customers have about products. It is, however, possible to try to influence their views through strategic positioning and marketing. (Hooley and Saunders 1993)

Competition in today's market is tough, but it doesn't have to hinder your business. In fact, it can be used to gain benefit because tough competition is likely to add up to customers who are dissatisfied with what the current market has to offer. (Hooley and Saunders 1993)

Product positioning process usually starts with identifying the competing products, after which the dimensions defining the product space are indentified. Information is collected from a sample of customers about how they perceive the products. The next step is to determine each product's share of mind, which means how easy it is for a consumer to remember a brand. When you have determined each product's current location in the product space, you determine the target market's preferred combination of attributes, which is the ideal vector. After analysing the positions of competing products, the position of your product and the position of the ideal vector, the only thing left to do is to choose the best position. (Spiritus-temporis 2010) Figure 4 demonstrates the steps of product positioning process.

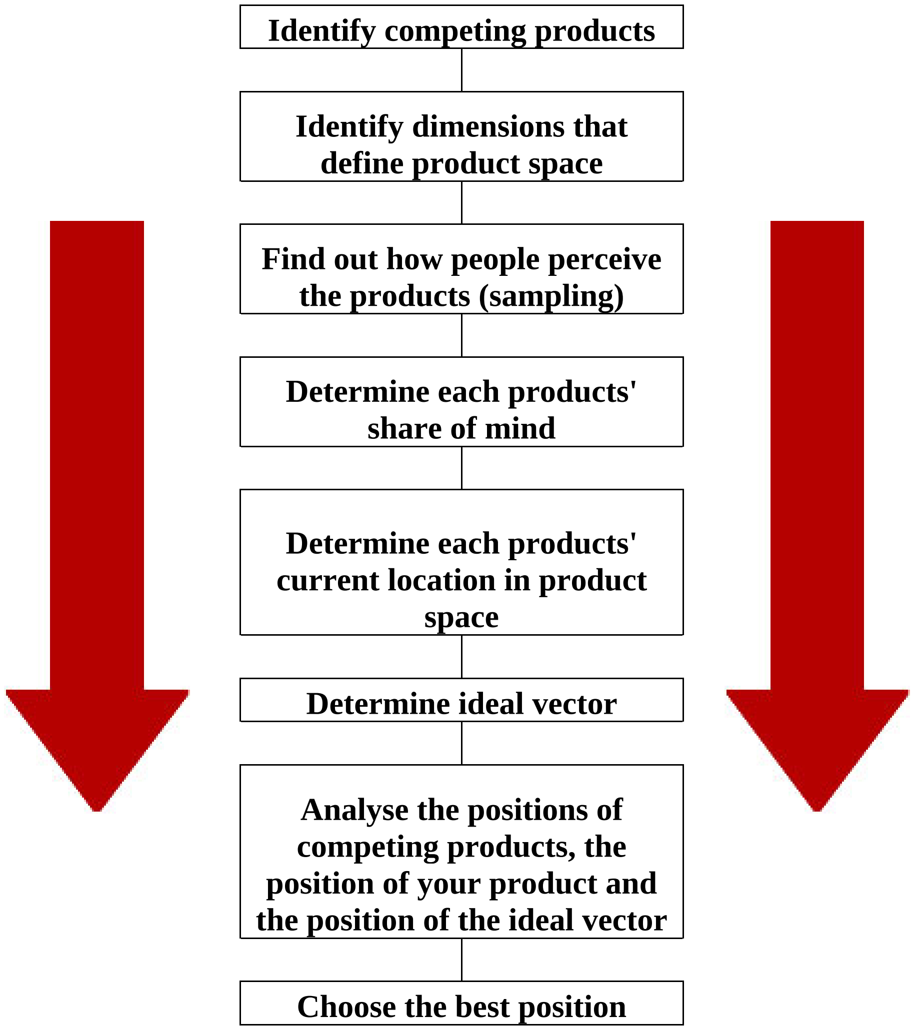

Figure 4. Product Positioning Process (Spiritus-temporis 2010)

Building a brand starts with differentiation. Its purpose is to define the brand and distinguish it from other brands. (Trout 2000)

When consumers make the decision what to buy, they seek security and reinforcement for their decision. They want to avoid the risk of making a bad purchase and easily follow what the others are doing. After all, if everyone else is buying it, it must be good. (Trout 2000)

Psychologists have determined four functions that people use when they are making decisions. Those functions are intuition, thinking, feeling and sensing. Most people are a mixture of these four types of functions. (Trout 2000)

People who rely mainly on their intuition concentrate on the big picture. They think about the future possibilities and they respond to products that are differentiated as the next generation of such product. (Trout 2000)

The thinkers concentrate on the facts and are able to disregard the emotional side of adverts. They make the decision to buy or not to buy based on cold, hard logic. Thinkers respond best to adverts that present facts about why the product is superior to other products and expert reviews on it. (Trout 2000)

Feelers are, in some ways, the opposite of the thinkers. They do not require facts or evidence that the product is good. Instead they enjoy seeing nice adverts that make them feel happy. Feelers do, however, like expert opinions, but unlike thinkers, feelers only have to get the impression that the experts are actually experts in their field. As long as they look and sound like real experts, the thinker is happy. (Trout 2000)

People who differentiate by sensing pay great attention to detail. They see things as they are and are good at seeing things in their context. (Trout 2000)

2.2.1 Retail positioning strategy

Retail positioning strategy can be seen as an integrated activity consisting of merchandise decisions, store format/environment decisions, customer service decisions and customer communications decisions. (Devlin, Birtwistle and Macedo 2003)

Merchandise decisions are based on core merchandise policy, branding, assortment profiles, branch stocking policy and merchandise augmentation. Store format/environment decisions are based on the number and location profile of the outlets, space allocation (merchandise, services, and stockholding), visual merchandising, design and ambience. Customer service decisions are based on the number of facilities, product services, service-products and personnel services. Customer communications decisions are based on advertising, public relations activities, display of promotions and visual merchandising. The use of all these elements adds up to good positioning strategy. (Devlin, Birtwistle and Macedo 2003)

Davies and Brooks identify differentiation as the key to successful retail strategy. In order for differentiation to work, the differences must be perceived by the consumers. (Davies and Brooks 1989, 213)

It is suggested that the use of design, personnel and merchandise as a part of the overall strategy in store retailing produces desirable results. To implement the chosen positioning strategy, it is important to be willing and ready to make big changes in the existing operations. When there are changes being made, it is the management’s responsibility to act as the agent of the change and ensure that it clear to everyone what kind of changes are being made and why they are made. (Davies and Brooks 1989, 220, 221)

The easiest way and the most obvious way to monitor how well the positioning has succeeded, is to look at the financial performance. If the chosen positioning strategy is a good choice and if it has been implemented in a correct manner, the results should show as increased sales. (Davies and Brooks 1989, 223)

2.2.2 How to conduct positioning research

Since positioning is something that happens in the minds of the consumers, positioning research is started by creating mindmaps. At its barest it means coming up with four values for two products. After conducting the research it is possible to place the products in the map and see how they are positioned in relation to each other (see figure 5). (Pulkkinen 2002, 224, 225)

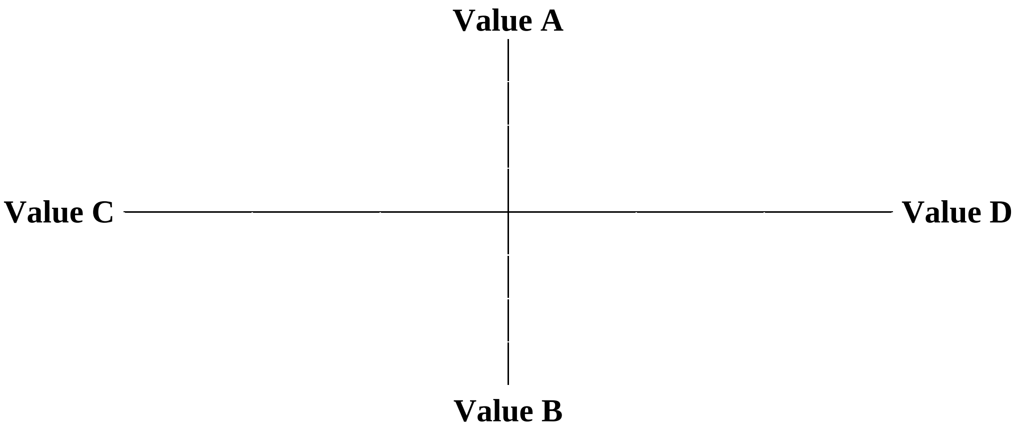

Figure 5. A positioning map (Pulkkinen 2002, 225).

To analyse where there is still empty space in the positioning map, all the competing products must be included in the study and placed in the map. The gaps and empty spaces in the map indicate prospects for new products. (Pulkkinen 2002, 224, 225)

Though they are very close to each other, positioning research and brand research differ from each other substantially. While brand research aims to find out what the current situation is and how the target group views the brand, positioning research is more concentrated on the future prospects. Positioning research helps one see how a brand can be further developed in addition to creating a picture about the current situation. (Pulkkinen 2002, 226, 227)

The sample for the study should be selected carefully, ensuring that only consumers who are in the target group are admitted. It is also important to make sure that the sample is not too localised, in other words that the sample is gathered from a wide enough geographical area. (Pulkkinen 2002, 228)

The body of the questions must also be given attention. Planning the research based on the different choices of positions requires analytical abilities as well as creativity. (Pulkkinen 2002, 228)

Due to the nature of positioning research it is recommended that the research is conducted as a qualitative research in a group interview. To ensure the validity of the results, there should be at least four to five groups. The groups should consist of people with similar characteristics, for example young people, women, single people etc. It is also possible to use personal interviews if the nature of the subject or the status of the respondent so requires. (Pulkkinen 2002, 224, 230)

For conducting the study there should be prepared different positioning concepts. The aim is to produce material that stimulates the respondents in the research situation. The concepts should be adequately differentiated from each other to make it easier for the respondents to receive the intended images. The idea is not to create ready products, but to create examples of products and then analyse which elements the respondents liked or disliked. (Pulkkinen 2002, 231)

Research methods that can be used in positioning research are various in number and the choice which ones to used should be made depending on the nature of the study, in relation to other research material, budget and timetable. (Pulkkinen 2002, 237)

2.3 Branding and image

Branding and image are concepts which have been widely studied in marketing and consumer behaviour literature. They are interrelated but still separate concepts. The following figure (Figure 6) shows the different layers of which a brand consists of.

2.3.1 Branding

There have been a lot of books written, studies conducted and models created about building a brand. All the models have their pros and cons and which model to use should be decided on case-to-case basis. (Pulkkinen 2002, 56)

When analysing a brand the four things that should be considered are the profile, image, story and the essence of the product. Figure 6 demonstrates how the four elements overlap.

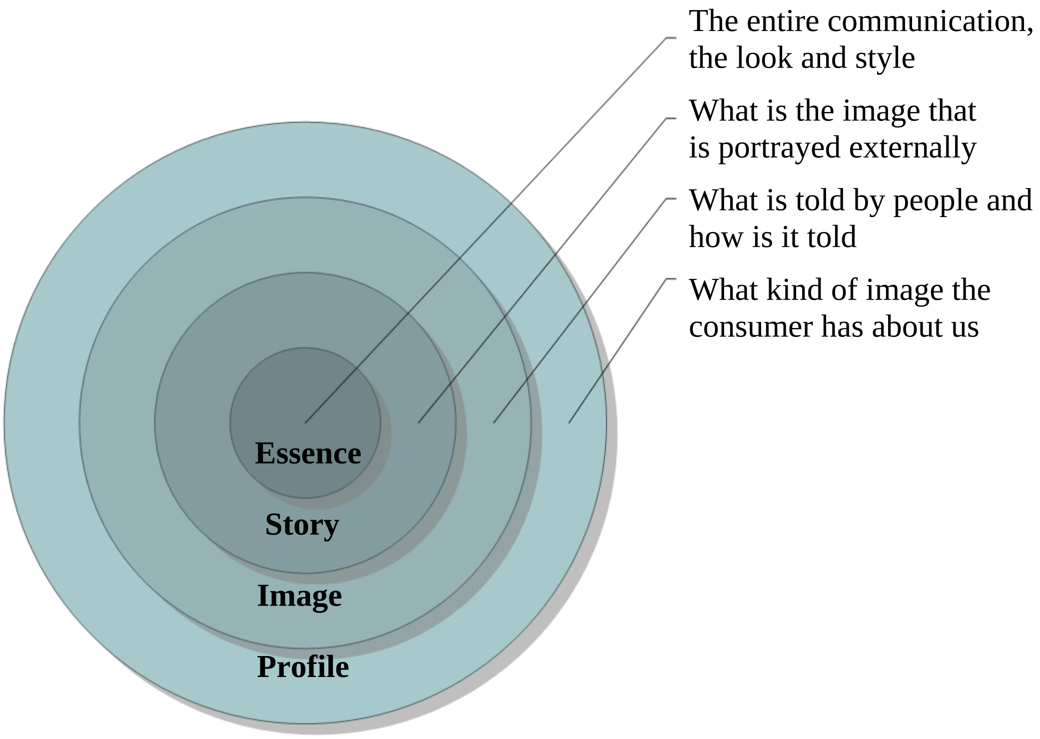

Figure 6. The four layers of which a brand consists of (Lautamäki 2010)

When building a brand, the most critical questions areas that should be considered are segmentation, positioning and brand personality. You must consider who you are trying to sell the product to in order to know who's needs and wishes you have to consider. You also have to know what buying a certain brand means to your target group emotionally, what makes it desirable and better than other brands. (Pulkkinen 2002, 56)

When creating a brand it is important to determine what will be branded and how it works in relation to your other brands. It is possible to create several, separate brands or create an umbrella of brands. You can brand the company itself or the products it sells. It is also a possibility to use a combination of a branded company and branded products. (Pulkkinen 2002, 244)

2.3.2 The elements of image

Image, as well as positioning and differentiation, is something in a person's mind. Differentiation of a store happens because of the image of the store. The more different it is from another store and the more the consumer thinks of it as a store that fits into their definition of a good image, the more likely that consumer is to shop at that store. A 'good' image is what makes people shop at the stores they shop. (Davies and Brooks 1989, 185)

There are three important findings that empirical studies made about retail image have uncovered. Firstly, the store image and customer behaviour are linked. Secondly, an image is very complex and there can be a number of factors that contribute to it. Based on the studies merchandise, service and location are the most prominent factors contributing to the images that consumers have about department stores. Thirdly, store image and customer type are linked. (Davies and Brooks 1989, 192)

Though it is very useful in promoting products, advertising does not, for some reason, function as well for retailing. There doesn't seem to be a link between advertising and an image about a store. The only factor where advertising and image promotion can be linked is in price. (Davies and Brooks 1989, 195, 196)

Most retailers started creating their own-label and own-brand products when they noticed the economical advantages they brought. In, for example, food retailing, the manufacturers who were suffering from over-production, decided to start selling the over-capacity as their own-label products that cost less than the similar, branded products. The second factor in favouring own-label products is the high costs related to brand products in terms of promotional margin. The third reason for favouring own-label products is the increase in the concentration in retail buying power. (Davies and Brooks 1989, 198, 199)

2.3.3 Store image

An essential element of the retail mix in addition to positioning is the store image. It is a central element that influences consumers' choice of store. If the consumer perception of the store image and the objectives of the market positioning strategy conform, they create customer loyalty. Therefore it is possible to create competitive advantage by evolving the store image. (Devlin, Birtwistle and Macedo 2003)

Customers differentiate stores based on their image. Therefore, it is important for the retailers to differentiate themselves from the competition in addition to maintaining a coherent image. (Davies and Brooks 1989, 184)

A store image can be built using many tools, but advertising is not one of them. Studies have not shown any link between advertising and a store image. (Davies and Brooks 1989, 195)

3 EMPIRICAL STUDY

This chapter presents how the research was carried out. It starts with the short market analysis after which the more thorough positioning study is presented.

It is first explained how the study was designed and carried out after which the results of the study are presented.

Reliability and validity of the research are discussed and assessed as well in this part of the thesis. At the end there is a conclusion of the research and suggestions.

3.1 Market overview

Since the main focus in this thesis is on positioning research, market analysis is left with less attention. Only the central issues in market analysis, which are market size, market growth, purchasing power and competition, are addressed.

On May 30, 2010 there were 5.358.555 people living in Finland. It is estimated that the population of Finland will grow to be 5,635,938 in the year 2020 and 5,985,356 in the year 2040. (Väestörekisterikeskus 2010) (Tilastokeskus 2010)

Finland's GDP in 2009 was €171,000,000,000. GDP per capita in the same year was €32,025. (Tilastokeskus 2010)

Since the main focus in this thesis is on positioning, it is essential to look at the competition that already exists in the market. There are currently two convenience store –chains that are operating in Finland. Those are Siwa and R-Kioski, which were already presented in the theoretical part of the study.

In December 2008 Siwa's turnover was €1,399,608,000. (Yritystele.fi 2010) The turnover for R-Kioski in 2009 was €410,900,000.This also includes R-Kioski's operations abroad. (R-Kioski 2010a) It is obvious, that there is purchasing power in the Finnish market.

3.2 Research methodology

A research method can be either quantitative or qualitative. Quantitative research means that the data can be gathered in a numerical form and it can be measured. Qualitative research is used when the information cannot be achieved by statistical or quantitative methods. (Ghauri and Grönhaug 2005, 109)

Qualitative research is used when the researcher doesn't have a clear idea of what they're looking for. Qualitative research aims to generate a complete, detailed description of the subject that is being studied and the gathered data, which is called qualitative data, is non-numerical data or data that hasn't been quantified. It is recommended that qualitative research should be used during the early phases of research projects. (Saunders, Lewis and Thornhill 2007)

In qualitative research the researcher is the instrument for gathering data and the data is in the form of words, pictures or objects. The research is very subjective of nature since it is the individuals' interpretation of events that is important. Qualitative interviews are either semi-structured or unstructured interviews, which aim at generating qualitative data. (Saunders et al. 2007)

Disadvantages of qualitative research are that the findings can't be generalised that far, the data analytic procedures are of nonparametric type and the external validity is low. This occurs because the study is based on a small sample of individuals. (Saunders et al. 2007)

Quantitative research is used when the researcher knows what they are looking for in advance. It aims to classify different features, count them and based on that information construct statistical models in order to explain what has been observed. The data that is gathered (quantitative data) is numerical data or data that has been quantified. It's recommended that quantitative research should be used during the latter phases of research projects. (Saunders et al. 2007)

In quantitative research all aspects of the study are carefully planned before the data is collected. The data is gathered using questionnaires or other equipment suitable for collecting data that is in numerical form. Quantitative research is objective of nature, as it seeks precise measurements and analysis and it is able to test hypotheses, but it might lack contextual detail. (Saunders et al. 2007)

The main difference in qualitative and quantitative research is in their very nature: qualitative research aims to generate a complete, detailed description of the subject that is studied whereas qualitative research aims to classify different features, count them and based on that information construct statistical models in order to explain what has been observed. (Saunders et al. 2007)

Quantitative interviews are structured interviews, which are conducted using standardised questionnaires with the same questions in each questionnaire. The data that is gathered by using structured interviews is quantifiable. (Saunders et al. 2007)

3.2.1 Sampling

Sampling is a method that is used to gain information for a research. It is rarely possible to gather data from every single member of the population, so another technique, sampling, must be used. Sampling means choosing a smaller sample from within the population and gathering data only from that sample. The sample is used as a representation of the whole population and the gathered data can be generalised to represent the opinions or behaviour of the whole population. (Saunders et al. 2007, 204)

Sampling should be used when it is impractical to survey the entire population, the budget prevents a large study or there are time constraints. (Saunders et al. 2007, 206)

There are two types of sampling techniques, which are probability sampling technique and non-probability sampling technique.

In probability sampling each case has a chance to be selected as a part of the sample and the probability of being selected is known. Usually probability is the same for all cases. Probability sampling is mainly used in survey and experimental research strategies.

In non-probability sampling the probability for each case to be selected as a part of the sample is not known and it is not possible to make statistical interferences about the characteristics of the population. Non-probability sampling is usually used in adopting a case study strategy with the exception of quota sampling. (Saunders et al. 2007, 207)

A good way to make sure that the sample is representative in probability sampling is to compare it to the population based on certain characteristics of the respondents. This can be done, for example, by comparing the age structure of the sample to the age structure of the population. If they are statistically similar, the sample is representative when considering the age.

The risk in sampling is that there might occur probability divergence or bias. If there are cases with uncommon characteristics within the sample, it effects and distorts the end data creating probability divergence. Bias is a systematic error in non-probability sampling, created by the difference between the sample and the population. If the sample is not a good representation of the population, the sample will give results that differ constantly from the actual results, which would have been obtained had the sample been representative. (Sampling 2007)

Probability sampling would give more accurate results, but because of the time constraints this research must be conducted using non-probability sampling, or convenience sampling to be more precise.

3.2.2 Convenience sampling

Convenience sampling means that the sample for the research is selected purely based on convenience. In other words, the researcher chooses the respondents based on who is at hand and willing to respond with no regard to the respondents' sex, age or other qualities that are usually taken into consideration when selecting a sample that is representative of the population or the target market. (Saunders et al. 2007)

Convenience sampling cannot give representative results as the respondents are selected purely based on their availability and they are not a reliable sample of the population or target market. (Sampling 2007) Convenience sampling is, however, useful when conducting research where there is little variation in population. (Saunders et al. 2007) It is also possible to use convenience sampling as a preliminary study in for example product development if the end product will be tested using a representative sample. (Sampling 2007)

The obvious advantage of convenience sampling is the low relative cost of conducting convenience sampling. It can be done, for example, by randomly choosing people at a shopping centre to respond a questionnaire. It is also less time consuming than other sampling techniques. (Saunders et al. 2007)

Convenience sampling is used a lot, but the results tend to be bias and influenced by factors that cannot be controlled by the researcher, which should be taken into consideration when analysing the results. (Saunders et al. 2007)

The reason why convenience sampling was chosen as the primary research method in this study is time restriction. Convenience sampling is by far the fastest sampling method in respect to finding respondents. In this case all the respondents were friends and acquaintances of the researcher. (Saunders et al. 2007)

The negative impact of using convenience sampling is that the results of this study are not scientific and are not totally reliable. They do, however, give a general direction of people's views on the topic. (Saunders et al. 2007, 228, 234)

3.2.3 Formulating a questionnaire

The main types of questionnaires are self-administered questionnaires and interviewer-administered questionnaires. Self-administered questionnaires include Internet-mediated questionnaires, intranet-mediated questionnaires, postal questionnaires and delivery and collection questionnaires. Interviewer-administered questionnaires include telephone questionnaires and structured interviews. (Saunders et al. 2007)

Self-administered questionnaires are always filled in by the respondent. Internet- and intranet-mediated questionnaires are filled in online by the respondents and the researcher can find the results online. Postal questionnaires are mailed to the respondents who then fill them in and mail them back to the researcher. Delivery and collection questionnaires are given to the respondents personally and collected immediately after they have finished filling in the form. (Saunders et al. 2007)

Choosing the type of questionnaire depends on the characteristics of the respondents, the importance of obtaining answers from certain people, importance of getting answers that are not contaminated or distorted, size of the sample required, the likely response rate, types of questions that need to be asked, the number of questions that need to be asked, time available for completing the data collection, the needed financing for data collection and entry, availability of assistants for interviews and fieldwork and the ease of automating data entry. (Saunders et al. 2007, 356, 357)

When the language of the study and the language of the respondents are not the same, the questionnaire must be translated in order to gain reliable answers. (Saunders et al. 2007) The original questionnaire, which is the one made in English, is called the source questionnaire and the translated questionnaire that is in Finnish is the target questionnaire.

Formulating a questionnaire starts with defining the objectives of the survey. When the objects are clear, it is time to determine the sampling group after which the questionnaire is written. The questionnaire is administered after which the results are gathered and analysed. (O'Brien 1997)

Things that should be given thought are clarity of the questions, leading questions, phrasing, embarrassing questions, hypothetical questions and prestige bias. Questions in the questionnaire must be clear and understood the same way by each respondent. The results of a research can be distorted for example by providing a limited selection of possible answers. Phrasing is important as most adjectives, verbs and nouns have a positive or negative connotation. Embarrassing questions should not be asked. They make the respondent feel uncomfortable and affect the respondents' trust, which in turn affects the reliability of the answers and the end results. Hypothetical questions put the respondent in a position where they have to think about a situation they may never have thought of before and getting a reliable answer that the respondent has reflected upon is not possible.

Respondents usually answer questions in such a manner that makes them feel good, which created prestige bias. It doesn’t mean that people are lying, but rather that they are sugar coating the truth. Prestige bias is something that is very difficult to prevent even with the cleverest phrasing. The best way to minimise its effect is to conduct the research in a manner where the researcher is as far from the respondent as possible (for example face-to-face interview vs. questionnaire that is emailed to the respondent). (O’Brien 1997)

The questionnaire used in this study is a self-administrated, Internet-mediated questionnaire. This type was chosen mainly because of time restrictions. An interviewer-administered questionnaire is more time consuming than a self-administered questionnaire and Internet-mediated questionnaire is the quickest way to get responses. It is also easy to gather up all the information and translate it into tables that illustrate the answers.

The questions in the questionnaire were all closed questions. Therefore, making an e-form was easy. The use of internet-mediated questionnaire was possible because all the respondents have daily access to the Internet and financially an internet-mediated questionnaire was the most affordable alternative.

Since the study is about the Finnish market and Finnish consumers, the respondents are all Finnish. Therefore the language of the questionnaire must also be in Finnish to ensure that the respondents understand and are able to respond the questions in a correct manner. The source questionnaire, which is in English, has been translated into Finnish. (See Appendix 1 and 2) The target questionnaire was made into an e-form and the link to the questionnaire was sent to the respondents.

The quickest way to collect the results is to send the questionnaire in an electronic form. The questionnaire was translated into an e-form with a platform hosted by Vaasan ammattikorkeakoulu, University of Applied Sciences. The e-form is easy for the respondents to fill in and save.

3.3 Conducting the research

The aim of the data collection is to find out what kind of images people have about 7-Eleven's potential competitors, which are the stores operating in the same strategic group; Siwa and R-Kioski. This should also be the aim of the questions.

The questions were designed to be as short as possible in order to keep up the respondents' interest and ensure reliable answers and to save time in analysing the results, but at the same time to be comprehensive and gather all necessary information.

The first part of the questionnaire focused on the details about the respondent. The questions about sex, age, form of living and population of hometown are needed to determine how goods of a representation of the entire population the sample is as well as to see how good of a sample of the possible target market it is. The distance to the nearest Siwa/R-Kioski is needed in order to know what kind of possibilities the respondents have to shop at the convenience stores being studied.

The second part focuses on Siwa and the third part on R-Kioski. Both parts have the same questions with the mere difference of the name of the shop. The questions aim to find out what the respondents think about the shops' prices, their price/quality ratio, their closeness, their convenience and whether the respondents purchase the shops' own brands. Another point of interest is the respondents' views on the shops as to what kind of images they relate with the shops. It is also important to find out if they shop at the studied stores and why they do so.

The fourth part is about 7-Eleven. It is important that only people, who know what 7-Eleven is, answer the questions about it. That's why, at the very start of the fourth part, there are two eliminating questions, to find out if the respondent has heard of 7-Eleven and if s/he knows what kind of shop it is. The respondents who have not heard of it, or do not know what kind of shop it is, are advised not to answer the rest of the questions, which are all about 7-Eleven.

To find out how many of the respondents have first-hand experience of the 7-Eleven –chain, it is asked if they have ever visited a 7-Eleven –store. Equally interesting is the images that the respondents associate with 7-Eleven.

The starting point in formulating the questionnaire was what the study aims to find out. The questions for the questionnaire were formulated so that they would provide the research with that information.

The questionnaire was sent to 48 people on May 21, 2010. Four days later forty people had answered the questionnaire and it was closed. The response rate was almost 84%, which is an excellent result.

The possible respondents are friends and acquaintances of the researcher who could, therefore, be easily approached by e-mail and in other forms of electronic communication. A link to the website where the questionnaire was located on was sent to the possible respondents along with a request to fill in the questionnaire.

3.4 Results of the questionnaire

Out of the forty people who answered the questionnaire, 35 were women and only five men. The average age of the respondents was 26,9 years.

21 respondents are currently living in an apartment building, while 10 are living in a detached house, 8 in a terrace and 1 person in another form of housing.

Exactly half of the respondents are living in a city with a population over 50,000. Three respondents live in a town with 30,000 to 50,000 inhabitants and seven in a town with 10,000 to 30,000 inhabitants. Ten respondents, which is a quarter of all the respondents, are living in a town that has less than 10,000 inhabitants. The respondents are living in the surrounding areas of Vaasa, Tampere, Seinäjoki and Oulu. This means that geographically the respondents cover a large area in the proximity of major cities in Finland. However, the southern region of Finland around Helsinki and Turku is not represented in the sample.

29 of the respondents are living less than five kilometres from the nearest Siwa and 28 respondents are living less than five kilometres from the nearest R-Kioski. 10 people reported that they live more than five kilometres away from the closest Siwa and 11 people live more than five kilometres away from the nearest R-Kioski. One person did not know whether they live under or over five kilometres from the nearest Siwa and R-Kioski.

3.4.1 Respondents' opinions related to Siwa

The following figure (figure 7) shows if the respondents agree or disagree with the presented six statements. The respondents were instructed to choose whether they completely agree (5), somewhat agree (4), don't agree nor disagree (3), somewhat disagree (2) or completely disagree (1) with the six statements made about Siwa. The answers from one to five are presented in different colours above the statements. Each column shows how many people chose that option.

The respondents' were asked to give their opinions on the following statements: Siwa is inexpensive, Siwa has a good price/quality ratio, Siwa is suitably close, it is convenient to shop at Siwa, I do my daily shopping in Siwa and I regularly buy Siwas' own products, only sold in Siwa.

The two columns that stand out are the number 1 –columns in the last two statements, which are to say that 77,5% of the respondents completely disagree with the statement 'I do my daily shopping in Siwa' and 72,5% of the respondents completely disagree with the statement 'I regularly buy Siwas' products'.

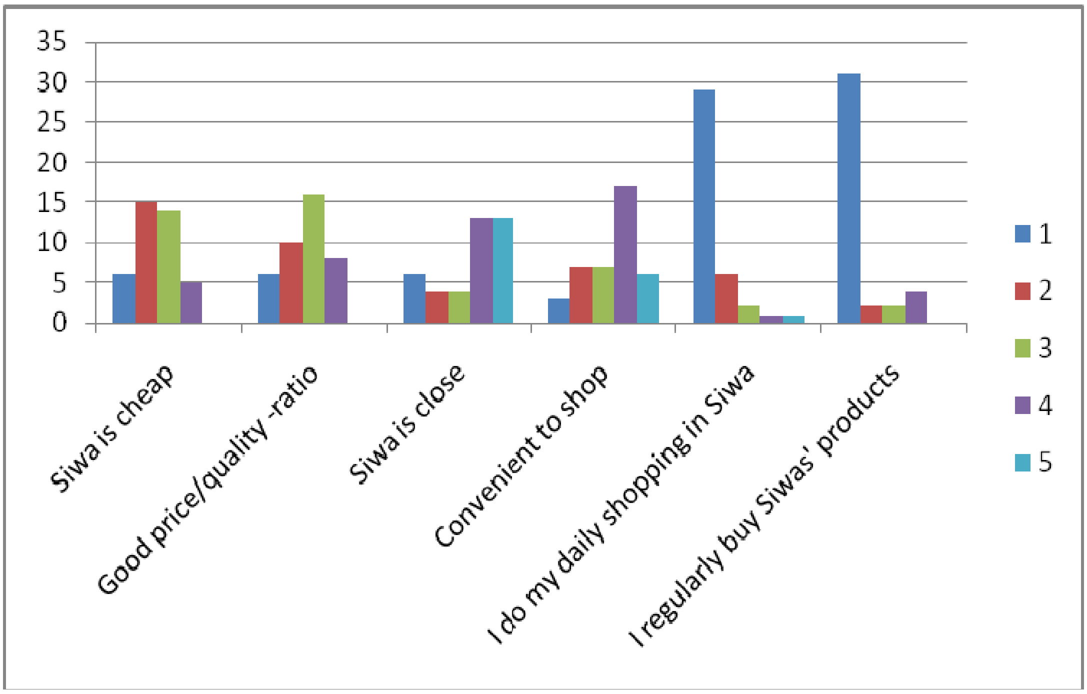

Figure 7. Respondents' opinions on the statements

The following figure (figure 8) shows what kind of images the respondents associate with Siwa. Good opening-hours got the biggest support with 34 respondents choosing it. The close proximity and high price also got more votes that any of the other options. It is, therefore, safe to say that it is the consensus that Siwa has good opening-hours and that it is close by. Respondents, however, do not think that there is a good selection of products in Siwa.

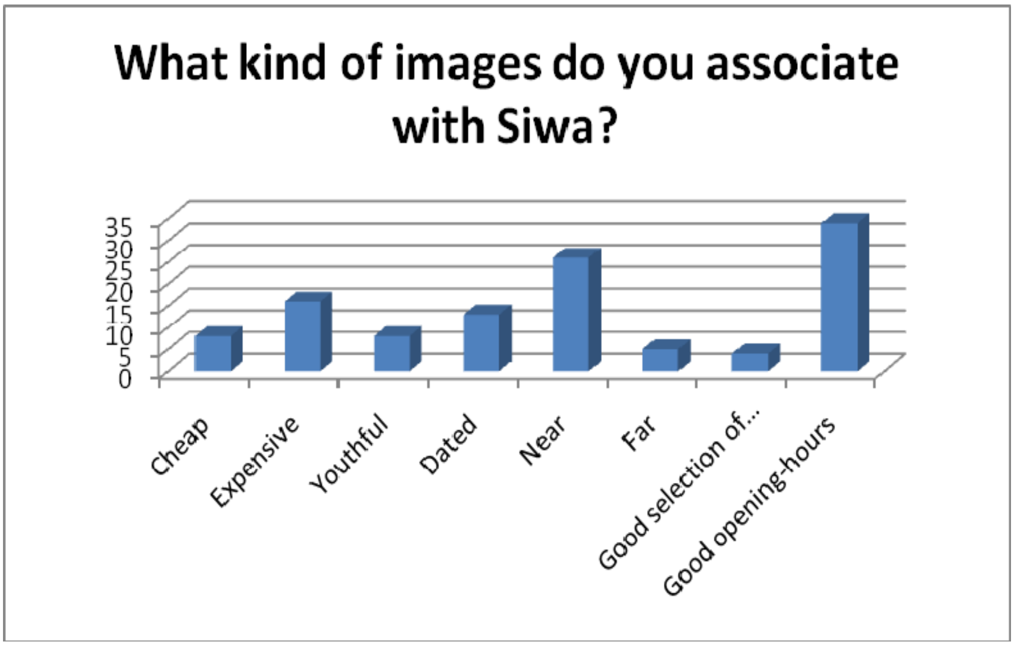

Figure 8. Images associated with Siwa

The respondents were given five options to choose as the reason why they do their shopping at Siwa. The options were the close proximity, affordability, extensive opening-hours, Siwa's own products and finally, that the respondent does not shop at Siwa. The main reason for shopping at Siwa is the extensive opening-hours with close proximity as a good second. Nobody shops in Siwa because of the chain's own products and only one person reports to shop there because of the affordability. Eleven people report not to shop at Siwa at all. (see figure 9)

Figure 9. Reasons for shopping at Siwa

It seems that the most prevalent image the respondents have about Siwa is that it's near-by, has good opening-hours and that it is convenient to shop at Siwas. Siwa is not, however, seen as a shop where one could do their daily shopping or that it has a good selection of products.

3.4.2 Respondents' opinions related to R-Kioski

The following three figures are about the same questions as the previous three ones, but these questions and answers are about R-Kioski instead of Siwa.

The respondents were asked to choose whether they completely agree (5), somewhat agree (4), don't agree nor disagree (3), somewhat disagree (2) or completely disagree (1) with the six statements made about R-Kioski. The following figure (figure 10) presents how the respondents' opinions were spread. Above each opinion there are five columns in different colours, each colour representing an opinion from one to five.

The respondents' were asked to give their opinions on the following statements: R-Kioski is inexpensive, R-Kioski has a good price/quality ratio, R-Kioski is suitably close, it is convenient to shop at R-Kioski, I do my daily shopping in R-Kioski and I regularly buy R-Kioskis' own products, only sold in R-Kioski.

The two statements the respondents agreed on the most were that R-Kioski is close and that it is convenient to shop at R-Kioski.

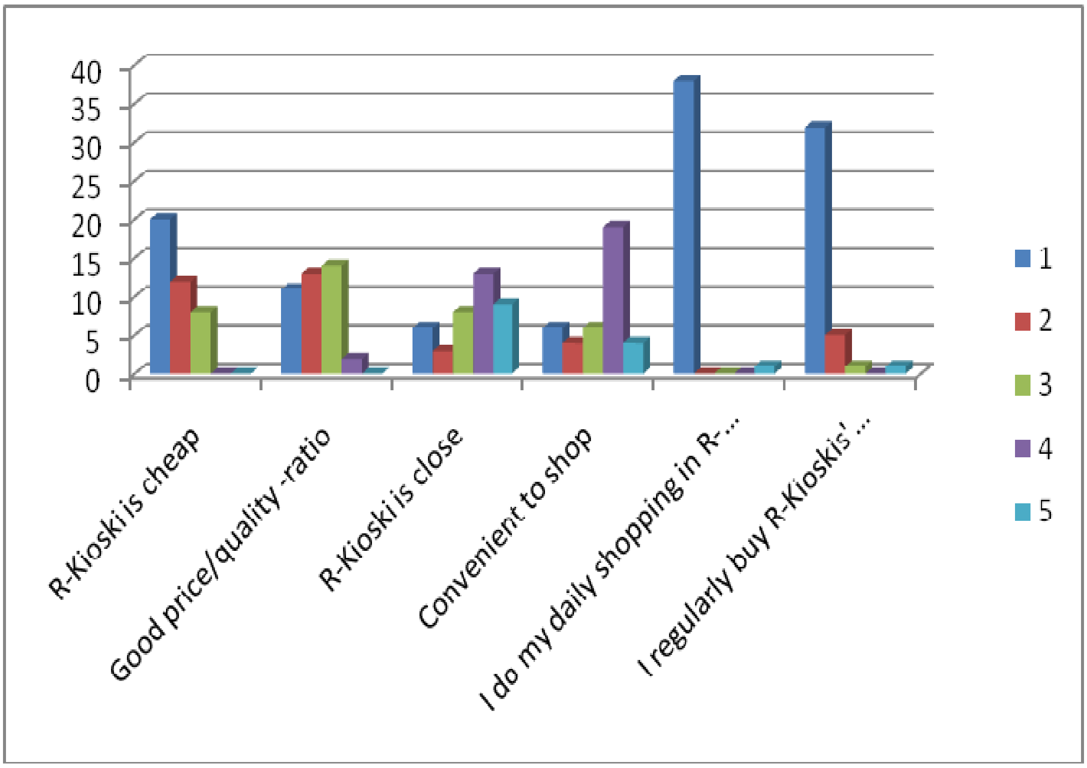

Figure 10. Respondents' opinions on the statements

The most prominent columns in Figure 10 are the same ones as in Siwa's case, which are the number one columns in the last two options. As many as 95% of all the respondents reported not to do their daily shopping in R-Kioski and 80% reported not to buy R-Kioski's own products.

The following figure (Figure 11) shows what kind of images respondents associate with R-Kioski. The most prominent images are that R-Kioski is expensive, near and that is has good opening-hours.

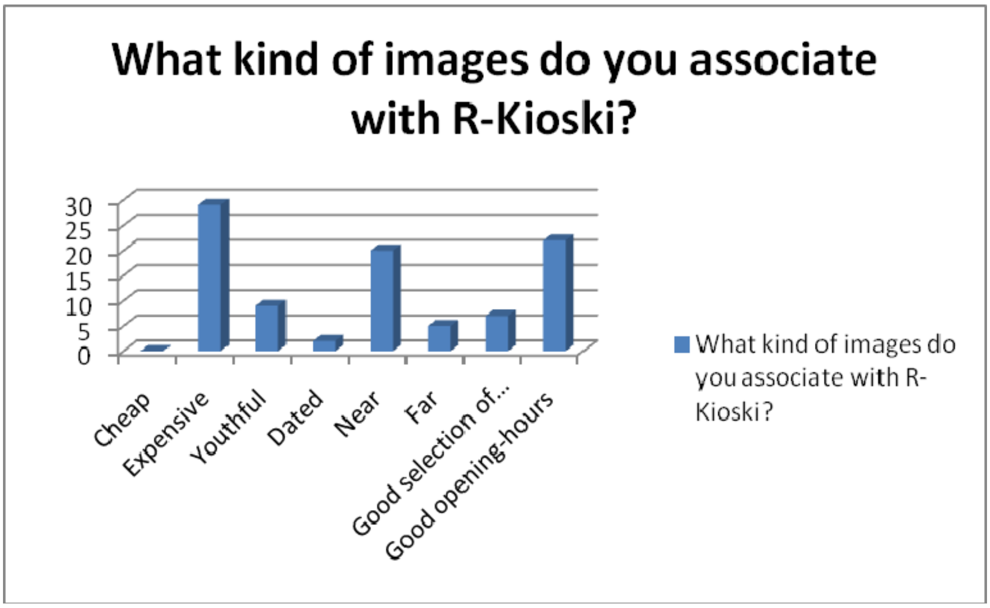

Figure 11. Images associated with R-Kioski

The main reasons why respondents report to shop at R-Kioski, are the extensive opening-hours and its close proximity (see figure 12). 14 respondents do not shop at R-Kioski.

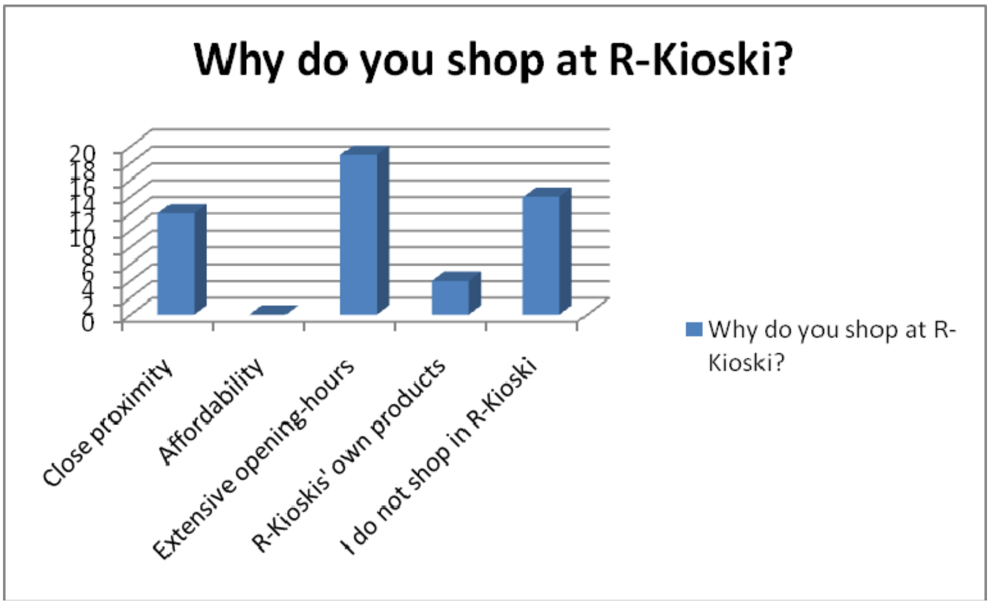

Figure 12. Reasons for shopping at R-Kioski

The respondents were quite unanimous that R-Kioski is near-by and has good opening-hours. They also agreed that R-Kioskis are expensive stores.

3.4.3 Respondents' opinions related to 7-Eleven

Out of the forty respondents 22 had hear about 7-Eleven and 16 knew what kind of shops 7-Elevens are like. After these eliminating questions only 16 respondents replied to the last two questions, which are about 7-Eleven.

Eleven respondents have at some point, somewhere shopped at a 7-Eleven. However, six people responded that they haven't shopped at a 7-Eleven, which means there is some inconsistency in the results, since 17 people replied the question although only 16 were supposed to. It is also unclear if the same person replied to the last question (results presented in figure 13) as well.

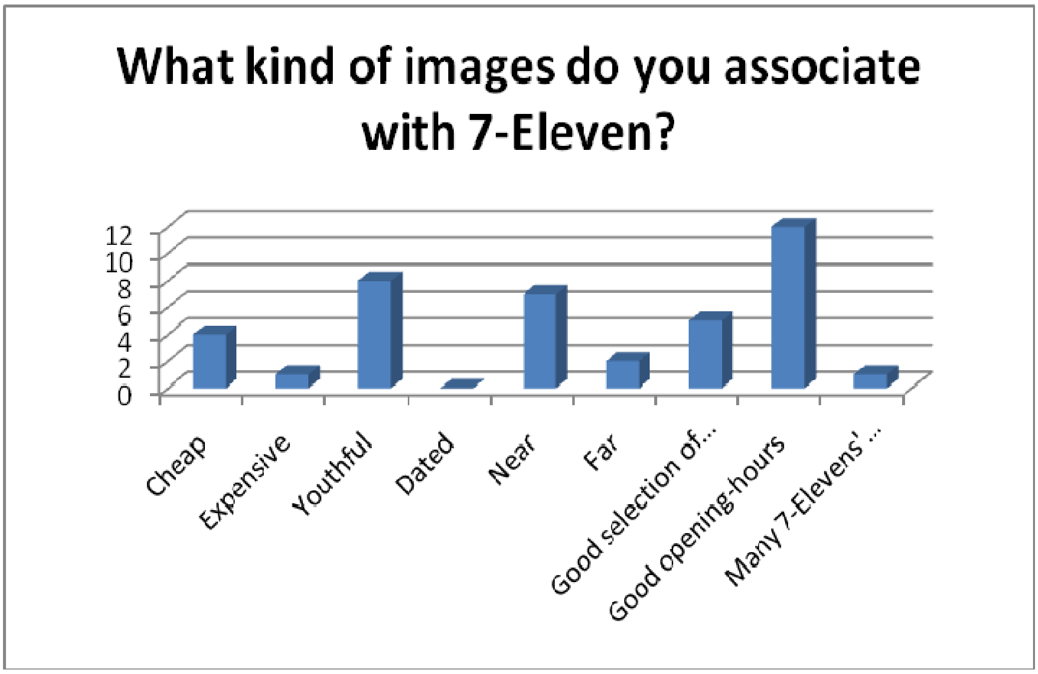

Figure 13. Images associated with 7-Eleven

As can be seen from Figure 13, the most prominent images of 7-Elevenare that it has good opening-hours, it is youthful and that it is near by. The respondents do not think that 7-Eleven is dated, far or cheap, nor do they associate 7-Eleven's own products that are only sold in 7-Elevens, with the chain.

3.5 Analysis of the answers

The respondent sample is quite small, only five of the respondents are men and the average age is only 26,9 years, when the national average age is around 40 years. (Tilastokeskus 2010) This means that the sample is not a very good representation of the population of Finland.

Convenience stores are located in urban, densely populated areas, so the fact that half of the respondents are living in a city with more than 50,000 people, is excellent. 21 respondents are also living in apartment buildings, which indicates an urban living environment. From this it can be induced that half of the respondents are, in fact, members of the target group.

The respondents are living in the surrounding areas of Vaasa, Tampere, Seinäjoki and Oulu. This means that geographically the respondents cover a large area in the proximity of major cities in Finland. However, the southern region of Finland around Helsinki and Turku is not represented in the sample.

Though the sample is not a perfect representation of the population, it can give good indication about the general mood that consumers have towards the existing competition in Finland.

Siwa and R-Kioski have positioned themselves quite similarly in the minds of the consumers. As one can see from the results of the questionnaire, the most common images people have about the two chains are that they are located near by and that they have extensive opening-hours. What is not, however, related to the stores, is their own products only sold in their stores. Only four respondents reported R-Kioski’s own products as a reason to shop at R-Kioski and none of the respondents shops in Siwa because of Siwa’s own products. Unlike Siwa, R-Kioski is seen as an expensive store.

It is startling how similarly Siwa and R-Kioski have positioned themselves. There are no apparent differences in the way people view them apart from the respondents seeing R-Kioski as slightly more expensive than Siwa. If it is possible for two such similar convenience store chains to succeed in the Finnish market, there should surely be room for a new chain store that would position itself differently by clearly differentiating itself from the two already existing chains.

Being a convenience store it is obvious that 7-Eleven must position itself as a chain that is close-by and has extensive opening-hours, but in order to stand up from the competition they must have something else that differentiates them from everyone else. I think that 7-Eleven could go far with their already existing brand by forcing its recognisability in Finland. They should create an image of a young, trendy, global chain store that sells brand new things that have never before been seen in Finland, like Slurpees and Big Gulps.

3.6 Reliability and validity

Validity is assessed by analysing two types of validity, which are internal and external validity. Internal validity concentrates on whether the results are resulted by the experiment itself or by other, intervening variables. To enhance internal validity, the other variables must be controlled. External validity analyses whether the results of the study can be applied in practice in situations that are not controlled research situations, which in other words is called generalisability. The only way to increase the external validity is to limit the control of variables affecting the research. This, in turn, decreases the internal validity, which means that the balance between internal and external validity must be carefully considered. (University of the West of England 2010)

Reliability is a very important factor in conducting research and measuring how trustworthy and accurate the study is. It is possible for a reliable research not to be valid, but to be valid, it must always be reliable. Reliability is measured with a variety of forms of reliability. Common forms of reliability are Inter-Rater or Inter-Observer Reliability, Test-Retest Reliability, Parallel-Forms or Alternate-Forms Reliability and Tests for Homogeneity or Internal Consistency. (University of the West of England 2010)

Inter-Rater or Inter-Observer Reliability means having several observers rating the same phenomena at the same time and analysing the degree to which they agree on the measurement and the results. In Test-Retest Reliability the test is carried out several time. In order for the test to be reliable the gathered information should be similar provided that the variables are similar. Parallel-Forms or Alternate-Forms Reliability is measured by simultaneously conducting two similar tests to measure a variable. Tests for Homogeneity or Internal Consistency are conducted using individual items for measuring a construct. The homogeneity of the items should be very high. These tests can be conducted by using the split-half form and correlating the results with the Spearman-Brown formula, by using Chronbach's alpha or by using Cohen's kappa. (University of the West of England 2010)

Reliability and validity differ mainly in the definition of the two terms. Reliability is an estimate of how consistently an instrument measures its target. Validity is the degree of the accuracy of the measurement. (Colosi 1997)

There is only restricted generalisability across constructs due to the fact that the study was conducted using a convenience sample, which did not provide a sample comparable to the population of Finland. Since the sample of respondents is not a good representation of the population (see analysis of the answers), the study can not be called scientifically accurate. The results, however, can be seen as guidelines of consumers' images about the current competitors in the Finnish market and as a preliminary study that can be used as a base for further research on the subject.

All the terms, theories and models are explained in the theoretical part. Therefore there is no inadequate preoperational explication of constructs, which means the inadequate definition of concepts.

4 CONCLUSIONS AND SUGGESTIONS

This chapter presents a summary of the thesis and suggestions for further research on the subject.

4.1 Summary of the findings

The ideology based on which 7-Eleven operates is to be easily accessible, or in other words to be near by and have extensive opening-hours. Siwa and R-Kioski have already positioned themselves using these two elements. Therefore, 7-Eleven must have some other attribute to differentiate itself from the competition. My suggestion is 7-Eleven's own products.

7-Eleven has a wide selection of its own products, many of which have become known brands of their own. Such products include Slurpee (Slurpee 2010), which is a slushie and the Big Gulp (Big Gulp 2010), which is a big pack of soft drink and has been sold since 1980.

Although the respondents of the study did not associate 7-Eleven's products strongly to the chain (only respondents reported to have the image that 7-Eleven has many products of its own, sold only in 7-Elevens), it is still possible to use the products to position 7-Eleven in the Finnish market. 7-Elevens in some countries do not sell 7-Eleven's own brands at all, which makes it possible that a respondent has visited a 7-Eleven, but missed 7-Eleven's own products. Introducing 7-Eleven's own products, which are strong brands even by themselves, in the Finnish market would differentiate 7-Eleven from other chains and create a big advantage in comparison to the competition.

The market analysis suggests that even though the Finnish market is relatively small with some five million inhabitants, there is purchasing power. The competitors are not draining the market, so financially there probably is room for another convenience store chain.

As a result, it does seem both from the positioning point of view as well as based on the market analysis, that there might very well be room for 7-Eleven in the Finnish market.

4.2 Suggestions for further research

The differentiation of a company from its competitors is vital in retailing and it is important to understand what differentiates a company from all the other companies. A strong brand is a good base to build on and makes it easier to expand operations abroad. 7-Eleven has managed to build a strong, widely known and respected brand, which makes expansion to new markets less painful than it would be if there was no previous knowledge of the company among the consumers.

Thanks to the already international nature of the 7-Eleven chain, it is easier for the company to expand abroad that it would be to companies that are operating in only one country and that have no experience in international retailing. 7-Eleven is in a good position because of their expertise in international retailing. It is therefore worthwhile for them to expand their operations by exploring new, potential markets.

Based on this research and the results, further research on Finnish market is recommended to fully analyse the market and its suitability for 7-Eleven's operations. The results of this preliminary research are of a positive nature and encourage further investigation.

Though this thesis cannot give exact results, it does give good guidelines on the general mood towards 7-Eleven and the competition the chain would face in the Finnish market. Based on the analysis and the positive results, I would recommend further research on the topic. Entering the Finnish market is definitely something that the chain could consider.

Since this research has its limitations, for example restricted generalisability, it could be recommended that this study was conducted again in the future using a sample that represents the population of Finland better than the convenience sample that was used in the original research. A better sample would produce more accurate results. It can, however, be questioned whether or not more accurate results are required. The original study gives guidelines of the general thoughts of the customers and it indicates that further research is, in fact, worth conducting.

This research is a preliminary analysis on the subject of whether 7-Eleven could expand its operations to Finland and thanks to the positive results of this thesis, I would recommend a more thorough investigation on 7-Eleven's potential to enter the Finnish market.

The next step would be to conduct a market research on the Finnish market. It could gather more information about the Finnish market and Finnish consumers and their behaviour. The research could possibly contain another survey to gain insight to consumer's opinions on relevant subjects, but the main focus should be on gathering market information and on competitor and customer analysis. Market segmentation could also be included in the analysis.

If market research continues to indicate Finland as a viable market environment for 7-Eleven, it is time to pay attention to product standardisation and legislation. A good research topic would be finding out how much standardisation is needed for 7-Eleven's products and business operations and whether their current products, business format and policies are in line with the Finnish legislation.

After the research on standardisation, given that it produces encouraging results, I recommend a research on market entry, which would use the analysis made about 7-Eleven and the Finnish market to determine what would be the most sensible method to enter the Finnish market. The research could include theory about entering new markets, what is needed in entering a new market and implementation of the theory to practise by examining how 7-Eleven could enter the Finnish market. Points of interest would be the recommended market entry strategy and trade risks, such as foreign exchange risk and sovereign risk.

It is also possible to expand the research subject to concern entire industries instead of concentrating on one specific case company. This study is basis for consumer analysis in the Finnish convenience store industry and it could be developed further with more extensive research on convenience store industry. Similar research could be conducted in the Finnish retail industry in general.

In conclusion, the future research based on this thesis should focus on further market research, limitations of legislation and standardisation and market entry strategy.

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Appendix 1 Source Questionnaire in English

QUESTIONNAIRE

The purpose of this questionnaire is to survey consumers' views and images about Siwa and R-Kioski, which are two convenience store –chains operating in Finland and to find out consumers' knowledge about 7-Eleven, which does not yet operate in Finland.

Questions in the first part are for background information. The second part surveys the respondents' views on Siwa and the third part surveys the respondents' views on R-Kioski. The fourth part is about 7-Eleven –chain and the respondents' images about the chain.

This questionnaire is a part of my thesis, which I'm doing at Vaasan ammattikorkeakoulu, University of Applied Sciences. Filling in the questionnaire will take about five minutes. All the information is privileged and for research use only. If you have any questions, feel free to contact me by e-mail (e0500949@puv.fi) or by phone (040-5264713).

Best regards Hanna Kellberg

Part 1

1. Sex

___Male ___ Female

2. Age ___

3. Current living situation ___ Detached house

___ Terrace

___ Apartment building

___ Other

4. Number of people in my hometown ___ Less than 10 000

___ 10 000-30 000

___ 30 000-50 000

___ Over 50 000

5. I currently live maximum of five kilometers away from the nearest Siwa.

___ Yes ___ No ___ Don't know

6. I currently live maximum of five kilometers away from the nearest R-Kioski.

___ Yes ___ No ___ Don't know

Part 2

7. Tick whether you completely agree (5), somewhat agree(4), don't agree nor disagree(3), somewhat disagree (2) or completely disagree (1) with the following statements.

	1	2	3	4	5
Siwa is inexpensive					
Siwas has a good price/quality ratio					
Siwa is suitably close					
It is convenient to shop at Siwa					
I do my daily shopping in Siwa					
I regularly buy Siwas' own products, only sold in Siwas					

8. What kind of images do you associate with Siwa?

___ Cheap

___ Expensive

___ Youthful

___ Dated

___ Near

___ Far

___ Good selection of products

___ Good opening-hours

9. Why do you shop at Siwa?

___ The close proximity of the shop

___ Inexpensive prices

___ Extensive opening-hours

___ Siwas' products that are not sold elsewhere

___ I do not shop at Siwa

Part 3

10. Tick whether you completely agree (5), somewhat agree(4), don’t agree nor disagree(3), somewhat disagree (2) or completely disagree (1) with the following statements.

	1	2	3	4	5
R-Kioski is inexpensive					
R-Kioski has a good price/quality ratio					
R-Kioski is suitably close					
It is convenient to shop at R-Kioski					
I do my daily shopping in R-Kioski					
I regularly buy R-Kioskis’ own products, only sold in R-Kioski					

11. What kind of images do you associate with R-Kioski?

___ Cheap

___ Expensive

___ Youthful

___ Dated

___ Near

___ Far

___ Good selection of products

___ Good opening-hours

12. Why do you shop at R-Kioski?

___ The close proximity of the shop

___ Inexpensive prices

___ Extensive opening-hours

___ R-Kioskis’ products that are not sold elsewhere

___ I do not shop at R-Kioski

Part 4

13. Have you heard about the 7-Eleven –chain?

___ Yes ___ No

14. Do you know what kind of stores 7-Elevens are?

___ Yes ___ No

If you answered no to question number 13 or 14, do not reply the rest of the questions.

15. Have you ever shopped in 7-Eleven?

___ Yes ___ No

16. What kind of images do you associate with 7-Eleven?

___ Cheap

___ Expensive

___ Youthful

___ Dated

___ Near

___ Far

___ Good selection of products

___ Good opening-hours

___ Chain has many products that are only sold in 7-Elevens

Thank you for replying the questions!

Appendix 2 Target Questionnaire in Finnish

KYSELY

Tämän kyselyn tarkoitus on kartoittaa kuluttajien mielikuvia ja käsityksiä Suomessa toimivista Siwa- ja R-Kioski-kauppaketjuista, sekä selvittää kuluttajien tietämystä ja tuntemusta 7-Eleven-ketjusta, joka ei vielä toimi Suomessa.

Ensimmäisen osan kysymykset ovat taustatietoja. Toisessa osassa kartoitetaan vastaajan mielikuvia Siwasta ja kolmannessa R-Kioskista. Neljäs osa koskee 7-Eleven-ketjua ja vastaajien mielikuvia ketjusta.

Kysely on osa lopputyötäni, jonka teen Vaasan ammattikorkeakoululle. Kyselyn täyttäminen vie n. viisi minuuttia. Kaikki tiedot ovat luottamuksellisia ja ovat ainoastaan tutkimuskäyttöön. Mikäli sinulla on kysyttävää, voit ottaa yhteyttä sähköpostitse (e0500949@puv.fi) tai puhelimitse (040-5264713).

Terveisin Hanna Kellberg

Osa 1

1. Sukupuoli

___Mies ___ Nainen

2. Ikä ___

3. Nykyinen asumismuoto ___ Omakotitalo

___ Rivitalo

___ Kerrostalo

___ Muu

4. Asuinpaikkakunnallani on asukkaita ___ Alle 10 000

___ 10 000-30 000

___ 30 000-50 000

___ Yli 50 000

5. Asun tällä hetkellä enintään viiden kilometrin säteellä Siwasta.

___ Kyllä ___ Ei ___ En osaa sanoa

6. Asun tällä hetkellä enintään viiden kilometrin säteellä R-kioskista.

___ Kyllä ___ Ei ___ En osaa sanoa

Osa 2

7. Merkitse, oletko väittämien kanssa täysin samaa mieltä (5), jonkin verran samaa mieltä (4), ei samaa eikä eri mieltä (3), jonkin verran erimieltä (2) vai täysin erimieltä(1).

	1	2	3	4	5
Siwa on edullinen					
Siwassa on hyvä hinta-laatusuhde					
Siwa on sopivan lähellä					
Siwassa on kätevä asioida					
Teen päivittäiset ostokseni Siwassa					
Ostan säännöllisesti Siwasta ketjun omia, vain Siwoissa myytäviä tuotteita					

8. Mitä mielikuvia liität Siwaan?

___ Halpa

___ Kallis

___ Nuorekas

___ Vanhahtava

___ Lähellä

___ Kaukana

___ Hyvä tuotevalikoima

___ Hyvät aukioloajat

9. Miksi asioit Siwasssa?

___ Kaupan läheinen sijainti

___ Edullisuus

___ Laajat aukioloajat

___ Siwan omat tuotteet, joita ei saa muista kaupoista

___ En asioi Siwassa

<u>Osa 3</u>

10. Merkitse, oletko väittämien kanssa täysin samaa mieltä (5), jonkin verran samaa mieltä (4), ei samaa eikä eri mieltä (3), jonkin verran erimieltä (2) vai täysin erimieltä(1).

	1	2	3	4	5
R-Kioski on edullinen					
R-Kioskissa on hyvä hinta-laatusuhde					
R-Kioski on sopivan lähellä					
R-Kioskissa on kätevä asioida					
Teen päivittäiset ostokseni R-Kioskissa					
Ostan säännöllisesti R-Kioskista ketjun omia, vain R-Kioskeissa myytäviä tuotteita					

11. Mitä mielikuvia liität R-Kioskiin?

___ Halpa

___ Kallis

___ Nuorekas

___ Vanhahtava

___ Lähellä

___ Kaukana

___ Hyvä tuotevalikoima

___ Hyvät aukioloajat

12. Miksi asioit R-Kioskissa?

___ Kaupan läheinen sijainti

___ Edullisuus

___ Laajat aukioloajat

___ Siwan omat tuotteet, joita ei saa muista kaupoista

___ En asioi R-Kioskissa

Osa 4

13. Oletko kuullut 7-Eleven-ketjusta?

___ Kyllä ___ En

14. Tiedätkö millaisia kauppoja 7-Elevenit ovat?

___ Kyllä ___ En

Jos vastasit kysymykseen 13 tai 14 kieltävästi, jätä vastaamatta loppuihin kysymyksiin.

15. Oletko asioinut 7-Elevenissä?

___ Kyllä ___ En

16. Mitä mielikuvia liität 7-Eleveniin?

___ Halpa

___ Kallis

___ Nuorekas

___ Vanhahtava

___ Lähellä

___ Kaukana

___ Hyvä tuotevalikoima

___ Hyvät aukioloajat

___ Paljon omia, vain 7-Elevenissä myytäviä tuotteita

Kiitos vastauksistasi!

Appendix 3 Results of the Questionnaire

Question 1

Sex	
Male	5
Female	35

Question 2

Average age	26,9

Question 3

Form of living	
Detached house	10
Terrace	8
Apartment building	21
Other	1

Question 4

Population	
Under 10,000	10
10,000-30,000	3
30,000-50,000	7
Over 50,000	20

Question 5

I currently live max. 5 kilometers from the nearest Siwa	
Yes	29
No	10
Don't know	1

Question 6

I currently live max. 5 kilometers from the nearest R-Kioski	
Yes	28
No	11
Don't know	1

Question 7

Mark whether you completely agree (5), somewhat agree (4), don't agree nor disagree (3), somewhat disagree (2) or completely disagree (1) with the following statements.					
	1	**2**	**3**	**4**	**5**
Cheap	6	15	14	5	0
Good price/quality -ratio	6	10	16	8	0
Close	6	4	4	13	13
Convenient to shop	3	7	7	17	6
I do my daily shopping in Siwa	29	6	2	1	1
I regularly buy Siwas' products	31	2	2	4	0

Question 8

What kind of images do you associate with Siwa?	
Cheap	8
Expensive	16
Youthful	8
Dated	13
Near	26
Far	5
Good selection of products	4
Good opening-hours	34

Question 9

Why do you shop at Siwa?	
Close proximity	23
Affordability	1
Extensive opening-hours	28
Siwas' own products	0
I do not shop in Siwa	11

Question 10

Mark whether you completely agree (5), somewhat agree (4), don't agree nor disagree (3), somewhat disagree (2) or completely disagree (1) with the following statements.					
	1	**2**	**3**	**4**	**5**
Cheap	20	12	8	0	0
Good price/quality -ratio	11	13	14	2	0
Close	6	3	8	13	9
Convenient to shop	6	4	6	19	4
I do my daily shopping in R-Kioski	38	0	0	0	1
I regularly buy R-Kioskis' products	32	5	1	0	1

Question 11

What kind of images do you associate with R-Kioski?	
Cheap	0
Expensive	29
Youthful	9
Dated	2
Near	20
Far	5
Good selection of products	7
Good opening-hours	22

Question 12

Why do you shop at R-Kioski?	
Close proximity	12
Affordability	0
Extensive opening-hours	19
R-Kioskis' own products	4
I do not shop in R-Kioski	14

Question 13

Have you ever heard about 7-Eleven?	
Yes	22
No	18

Question 14

Do you know what kind of shops 7-Elevens are?	
Yes	16
No	24

Question 15

Have you ever shopped at 7-Eleven?	
Yes	11
No	6

Question 16

What kind of images do you associate with 7-Eleven?	
Cheap	4
Expensive	1
Youthful	8
Dated	0
Near	7
Far	2
Good selection of products	5
Good opening-hours	12
Many 7-Elevens' own products, only sold in 7-Elevens	1