

Cross-Cultural Comparison Between 7-Eleven and KEDI

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Abstract

Based on the Iceberg Theory, starting from three ostensive factors of logo colors, site selection and commodity management of these two convenience stores, this paper reveals the deeper cultural factors which cause differences in these three aspects and aims to enhance companies' cross-culture awareness. In the colors of their logos, both 7-Eleven and KEDI take the same color of yellow, green and white. The admire of Japanese to white is as same as Chinese to yellow; in site selection, different thinking modes of Japan and China have great influence on it; different national characters contribute to the diversity of commodity management.

Key words: Culture; Iceberg theory; 7-Eleven; KEDI

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INTRODUCTION

As a commerce modality which pursuing commodity and quality service, convenience store has been playing a significant role in the retail industry worldwide. It is a kind of retail format derived from the supermarket when the development of supermarket ran into a relatively mature phase. This format is first originated in America in 1920s. Its predecessor is an ice-sales outlet called "Southland Ice Corporation". In order to decrease the administrative costs of the outlets and extend the operating range, the rudiment

of 7-Eleven was born. In 1960s, convenience food such as black coffee, sandwiches, fried bread accessed to families. Convenience stores rapidly became one independent and efficient format of the retailing industry. Gradually, this format grew into two branches, the traditional convenience stores and the petroleum-based ones. The former ones have developed and matured in Japan, Taiwan China and many other Asian countries and districts, while the latter ones have become popular among European and American areas (Zhang, 2008).

In this new-style retail format, 7-Eleven stands out and is regarded as the model of convenience stores all over the world. 7-Eleven was firstly founded by Americans and then developed and matured by Japanese. Its characteristics were expressed to the extreme in Taiwan, China. From its birth in America, development in Japan, to its spread to Taiwan, Hong Kong, Thailand and Chinese mainland, 7-Eleven is always making big profit. As to China local convenience store, one of the typical stores is KEDI, which first went into operation in 1995, Shanghai. Since its start, KEDI has experienced the process from imitation to exploration, innovation, from naïve to maturity. Until 2000, it made up the deficits and got surpluses. It has outlets spreading over 21 cities now, such as Shanghai, Hangzhou, and Suzhou. Although there are some problems, KEDI is still one of the most successful convenience stores in China.

7-Eleven and KEDI represent two types of convenience stores, the one with foreign capital and the one with domestic capital. 7-Eleven can be counted as the pronoun in this format, with KEDI the emerging one. Cultural differences, which play a significant role in these two convenience stores, contribute to the similarities and differences in their operation, and can be seen from many aspects, some of which are the most distinct ones like logo color, site selection, and commodity management. From the comparison, strengthens of these two successful convenience stores can be highlighted and the distinct cultural differences can be drawn.

1. ICEBERG THEORY

Iceberg theory was first put forward by Austrian psychologist Sigmund Freud in his collaboration, *Studies of Hysteria*, with Breuer. Then the famous “iceberg theory” has spread all over the world. In Freud’s personality theory, he divided the person’s psychology into three parts, superego, ego, and id. Superego is often composed of moral judgments and values, while id is one person’s various desires, and ego is between id and superego, coordinating id and superego so that one will neither violate social moral constraints nor be too stressed. Based on this classification, he proposed three-ego of personality. He believed that one person’s personality is just like the iceberg on the sea, which showing only the conscious level part, while most of the rest is the unconscious part, lying below the sea level (Yuan, 2010).

Culture is a historical phenomenon, and each society has its own culture which will develop with the development of social material production. In class society, culture has class character. With the development of a nation, it forms the national tradition (Pskilip, 1987). It is like an iceberg, which has both visible and invisible parts. What we can see above the “waterline” is such things as the environment, behaviors, and ethnic. Below the “waterline”, there are norms, perceptions, and values. In order to truly understand a culture, things below the “waterline” must be explored (Dou, 2007). Cross-culture refers to the interaction among groups who have two or more than two different cultural backgrounds (Xu, 2013). During the process, one can not only rely on its own code, habits, concepts and behavior, but should also understand and experience others’.

In order to study Sino-Japanese culture, the case of 7-Eleven and KEDI is analyzed, among which the logo color, site selection and commodity management are the three most obvious aspects. They accordingly reflect the aesthetic standards, thinking modes and national characters in the two cultural systems. Therefore, this paper constructs a model (Wang & Zhou, 2007) based on Iceberg Theory. The three aspects are the floating part of iceberg on the sea, while the cultural systems are the hidden one under the sea level, which is invisible, but accounts for the most weight of the whole iceberg.

2. 7-ELEVEN AND DEDI: A CROSS-CULTURAL PERSPECTIVE

2.1 Introduction of 7-Eleven and KEDI

There are many reasons for the rise of convenience shop, one of which is the incommodity in distance, time, products and service that the large-scaled and suburbanized supermarkets bring to consumers. However, there is another crucial background, which is the American economic resurgence after its crisis in 1929.

The predecessor of 7-Eleven, Southland Ice Company was formally established in the summer of 1927 (Sparks, 2000). During its operation, one of the runners found that selling some daily necessities along with ice was feasible. With later exploration, Southland Ice Company did much reformation and finally they named all its stores 7-Eleven, which meant the opening time of all its stores from 7 am to 11 pm. Then 7-Eleven established. After the unified names, 7-Eleven began to develop and expand with much reformation and transformation to satisfy the need of the market. However, with the outstanding achievement in Japan, 7-Eleven in America came to its end because of the company’s three frustrations. After several purchases of the American 7-Eleven stock rights, Japan replaced America and won the final management of 7-Eleven.

Shanghai KEDI Limited Company, founded in 1996, whose predecessor was Shanghai KEDI Food Co., Ltd, is now a wholly-owned subsidiary belonging to Agribusiness Supermarket, Co., Ltd. In the early 1990s, the time when China was calling on vigorously developing the tertiary industry, many enterprises subordinating to Shanghai Milk Company established a lot of commercial enterprises in succession. Facing the new market competition environment, the company then decided to integrate the subordinate tertiary industry enterprises because of its small scale and weak competitiveness, under which circumstance KEDI started. Shanghai KEDI Limited Company today has about 1200 convenience stores covering nearly 21 cities like Shanghai, Hangzhou, Suzhou and Wuxi.

2.2 Cultural Differences in Logo Color

Colors in Japan and China contain the nation’s cultural mentality and emotion. In color admiration, though Japan and China are two different nations, cultural communication for thousands of years brings much in common and contrast.

2.2.1 7-Eleven: White

Before entering 7-Eleven, its logo is first seen. White, orange, red and green are the main colors utilized in it, which compose a very impressive logo for consumers. In Japan, red, white, green are very popular in their architectures. One of the reasons may be that, these colors above are very common in nature and very easy to extract from plants and minerals. White is the color that both Chinese and Japanese admire. The ancients often used white to symbolize nobleness, virtuousness and pureness. There are many phrases in Chinese and Japanese used white to describe the sense of pureness. However, Japanese like white more than Chinese. According to *Man-YoShui*, the number of white occurred in the book ranked No.1. The core of ancient aesthetic consciousness of Japan is snow, moon and flower because both snow and white are white and they believe white flowers are the most exhilarating. Japanese also regard white as begin and end of the other colors (Lai, 2010).

2.2.2 KEDI: Yellow

Similar to 7-Eleven, KEDI has the color of orange, white and green in its logo. Orange or yellow in the logo is a distinct color. Comparing with white in Japan, yellow occupies an important position in China. Actually, the history of China has a close relationship with yellow. Yellow was regarded as the color of sunshine and ground. In ancient China, it was the color of emperor, of great country, because before the emperor ascended the throne, he was draped with the imperial yellow robe by his supporters. It was a lofty color in China. All these can be derived from the fact that yellow stands for the most important means of production in ancient times, the land. "Yellow, is the color of soil." The birth land of Huaxia civilization is loess plateau, the cradle of the Chinese nation is the Yellow River and Chinese descendants have yellow skin. Yellow in China has a sacred, solemn and unshakable status (Li, 2002). In comparison, yellow in Japanese culture is frailer. This is interlinked in Japan and China. With the bright colors, the logo of KEDI is striking.

2.2.3 Cultural Differences

Different color preferences are the visible part of the Iceberg, while the different aesthetic standard and cultural origins are hidden under the "waterline". Though both belonging to oriental culture system, China and Japan have many differences in artistic styles. Not only the color preference, but the aesthetic standards (Shove, 2002) are different. If we take a careful look at their patterns and designs, it is not difficult to find that Chinese like those full and symmetrical ones more, while Japanese like those crooked and incomplete ones more. Viewing the design of Chinese utensils, the vast majority of them feature full and symmetrical. From pottery to architecture, art, Chinese people are particular in symmetry and equivalence. The persistence and love of Chinese to fullness and symmetry mainly result from two parts. One is the physiological characteristic of bilateral symmetry and the other is the Chinese culture and politics. The long time farming culture and the ethics based on Confucianism made Chinese society regard home as unit, which led to an aesthetic admiration of fullness. As to Japan, which suffers from natural disasters, has admiration to nature. The harsh natural environment contributed to a sense of crisis in their heart, and made the sentiment of the sorrow for objects as one of the major characteristics in Japan. They praise highly of the beauty of sadness. They believe in the incomplete beauty and avoid fullness and symmetrical in their daily life. This free and asymmetric style is obvious in their designs, such as furniture, tea sets, and flower arrangement and so on.

2.3 Cultural Differences in Site Selection

2.3.1 7-Eleven: A Unique Thinking Mode Combining Confucianism and Western Culture Essence

Generally speaking, 7-Eleven always adopts the strategy of setting up stores densely which can be called *carpet*

bombing. That is to say, once 7-Eleven decides to set up stores in a certain area, it will set up its shops not far away from each other rather than dispersedly, which intends to create an overwhelming advantage to achieve scale-benefit. Take the area near China Women's University as an example. There are three 7-Elevens in the different directions of a crossroad near Xiaoying Road. It always keeps a cautious attitude every time it chooses the address for a new sub-branch in order to master and evaluate all the conditions. It sets up its stores within the range circle of the customers' daily life, such as the area near neighborhoods, schools, offices or parking lots. When deciding the site, 7-Eleven will focus on the business district, traffic route nearby and the rival stores.

2.3.2 KEDI: A Holistic Thinking Mode

As a pioneer among present Chinese convenience stores, there are five principles for KEDI when choosing a right site. a) Choose the downtown or the center as the target site. Comparing with the suburban area, downtown has a more intensive population, and is also the center of business and trade as well as the high level consumption. So KEDI always select its site in city center, city arteries or traffic hinge. b) Choose the young and middle-aged as the target customer. During the process of site selection, the localization of consumer group is especially important. It is not difficult to find that the young and middle-aged have the highest consumption capacity. KEDI locates the consumption group between the 18 to 48 year-old ones. c) The proper store space is 70 to 80 square meters. KEDI has requirements for store acreage, width and height. If the width of a 70 square-meter store is six meters, then the depth had better be about 12 meters and the clear height shall not be lower than 2.7 meters. Data should be recomputed if there is a need to equip a smoke detector or auto-sprayer. d) The requirement of decoration inside the store is unified. e) The appropriate term of tenancy is three to five years according to the common operation rule of a convenience store, which is the first two years of deficit, the third year of level out, and the fourth and fifth year of profit.

2.3.3 Cultural Differences

Different thinking modes, also invisible under the "waterline", play an important role in the site selection process. Japan has a rather small size comparing with China. Apart from forests, lakes and swamp, the area available for living is only 21 percent of its whole size. What's more, its urban population is big and dense. Many citizens are going out for shopping mainly rely on walking. More numbers and close distances mean more profit. Besides, Japanese continuously absorbs and utilizes diverse foreign culture. Belonging to oriental culture system as China, Japanese culture has been deeply influenced by Chinese Confucianism. Viewing the thinking mode of Japanese, it has the tendency of a

holistic thinking mode, and values harmony and unity. On the other hand, due to its absorption of the western culture essence, its thinking mode has as well indicated the scientific mode based on rational analysis, which focuses on subject-object split analysis and is obedient to serviceability. In this sense, Japanese decompose things into parts as small as possible and then begin to do research.

2.4 Cultural Differences in Commodity Management

The core value of a convenience lies in the commodity it offers to the consumers. Various commodities change with the consumer behavior and income level. However, all the commodities have a common feature, the nature of overlap. So the level of the commodity management is one of the most contributing factors to the success of a store.

2.4.1 7-Eleven: Creativity & Responsibility

As is known in the world, Japan is a nation famous for its pursuing perfection, caring for the formality, and being exquisite and considerate. Many convenience stores in order to survive put forward creative and considerate services to attract customers. What 7-Eleven provides can be divided into mainly five parts, food, drink, publication, non-food product and other kind of product. According to the trait of convenience operation, 7-Eleven follows strictly to eight principles. First, daily necessities are the main commodities; second, commodities fit the traits of light, thin, and small; third, commodities have a high turnover rate; fourth, commodities have a high gross profit; fifth, commodities are hot or popular to the consumers; sixth, commodities have reasonable prices; seventh, commodities have guaranteed quality and the last, commodities can have emotional communication with consumers (Terasaka, 1998). Not only goods, but also various services for convenience of the customers are provided inside 7-Eleven, such as free boiled water supply, charging service, photo developing and so on. 7-Eleven also takes an active part in offering service of public utility and municipal charges, such as selling bus cards, collecting traffic fines. It will carry out community activity as well. These services not only bring convenience to the public, but also help add the customer volume, which accordingly improves its competitiveness.

2.4.2 KEDI: Strong Inclusiveness

KEDI, similar with 7-Eleven generally, has differentiation specifically. In the beginning, what to sell was the question that haunted the operators. Influenced by Chinese traditional thought, Chinese enterprise culture is a kind of exclusiveness, which is prudent and conservative. It generally avoids uncertainty and opposes revolution and adventures. As to KEDI, it found the starting point from its parent company, *Shanghai Bright Limited Company*. *Bright* was a well-known brand and many citizens in

Shanghai had the habit of booking milk for a whole month in advance, which provided a good opportunity for KEDI to explore its market. KEDI first set foot in the sell and service of *Bright Milk*. Milk sell has become strong for KEDI and the proportion of the sales is keeping above 10%.

During the exploration of new services, KEDI has put forward for five sectors of service at 7-Eleven does, food, drink, publication, non-food product and other kind of product. In the sector of food, it offers more Chinese traditional food like tea eggs, fresh pork moon cakes and some other instant food. Also, it provides business of public telephone, fax and reprography in succession; it sells transportation and IP cards and withholds parts of the utilities expenses. ATMs are set in some of its outlets. The convenient goods and service account for about 55% to 60% in the total sale. Besides, KEDI has automatic replenishment distribution systems, which help KEDI realize a favorable operation and profit.

2.4.3 Cultural Differences

The commodity management has shown profound differences in national characters of China and Japan. Japan, like China, has been influenced profoundly by Confucianism. Confucianism thinks highly of the debate of justice and interest. Japanese tactfully combine the enterprise management with justice and interest. In their point of view, seeking profits is legitimate and necessary, but on the other side, it is just a method rather than the purpose. Japanese sticks to the concept that “customers are the enterprise”. They believe that, a responsible entrepreneur should submit the daily practice of running enterprise, seeking profits to the higher goal, which is making the country prosperous and the populace happy. If an enterprise focuses too much on profits and benefits, it will finally be abandoned by the public (Yu, 2008). Comparing with Chinese, Japanese thinking mode tends to be more extroverted. Accordingly, the extroverted thinking mode helps them form a character of innovation, change and mobility. They learned from other civilizations and took nutrients from them. From the commodity exploration of KEDI, it is not difficult to find that China is a nation with strong inclusiveness. It also has strong capability of imitation but emphasizes on the inheritance of own civilization at the same time. As to KEDI, the goods sold inside the store are more localization, with many Chinese brands on the shelves.

CONCLUSION AND IMPLICATION

With KEDI the representative of local convenience stores, local brands such as Quick, Hi-24 are influential ones and play a significant role in this type of industry. Regional convenience chain stores had a golden period in 2007 and 2008. The momentum of local convenience stores is

swift. From the analysis of KEDI, a favorable operation can be witnessed in our local convenience stores and the comprehensive strength of them will undeniably be strengthened. Still, some suggestions can be made through the comparison above (Chen, 2009).

Firstly, grasp the favorable opportunity and don't blindly introduce. The emerging of convenience stores in the retail industry has its background factor of social economic development. According to the experience of foreign exploration, the introduction stage of convenience stores is when the GDP per capita reaches 3,000 dollars; the growth stage comes when it reaches 4,000 dollars and with the GDP per capita reaches 6,000 dollars, it enters the peak stage. Recently in China, some cities like Shanghai, Zhejiang, Tianjin and Guangdong, where GDP per capita achieves more than 3,000 dollars, enter the introduction stage of convenience stores. According to *China Statistical Yearbook*, 2004, about 35 cities in China have such ability to run convenience stores by the year of 2003.

Secondly, choose diversified locations and focus on diversified target customers. The site selection of convenience stores should break the limitation of residential areas and large communities. Locations should be decided according to the actual conditions of convenience stores. Subway stations, office buildings, parks, large entertainment venues and research institutions are also the ideal sites. Different sites should focus on different target customers. Generally speaking, there are two groups of target customers. One is the young group who would like to chase entertainment, enjoyment, and the other is those who are constrained by the fast-speed life or accustomed to fast shopping or urgent to shop.

Thirdly, improve the operation quality. It mainly embodies in four parts, the information system, the logistic system, the training system and the guiding system. Currently, Chinese convenience store system falls far behind those foreign ones, which decrease the efficiency of operation greatly. Improving the four aspects is urgent affairs.

Finally, be different from supermarkets and form the features of convenience stores. Convenience stores should get rid of the stamp of "minimarkets". Developing distinctive and main good are very necessary. Maintain good relationship with customers and customers will be loyal to the store. They are expected to diversify the service and excavate the potential ability. The current convenient service of local convenience stores still has big space for improvement. Various convenient services are one of the major attracting factors.

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