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EVENT	7-ELEVEN OFFERS 24X7 E-COMMERCE SERVICE
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7-Eleven Malaysia Holdings Bhd CEO Gary Brown

7-Eleven offers 24x7 e-commerce service

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By The Star Online



CONVENIENCE store chain operator 7-Eleven Malaysia Holdings Bhd is jumping on the bandwagon in e-commerce by offering parcel locker services in some of its outlets to facilitate delivery for online shopping.

The service is expected to start this month, says 7-Eleven Malaysia chief executive officer Gary Brown at the Asia Pacific Retail Congress in Kuala Lumpur recently.

The move by 7-Eleven will be seen as a nascent but integral part of an expanding online retail eco-system that is beginning to grow in popularity in Malaysia.

"An online shopper can choose to get his purchases delivered to a 7-Eleven store most convenient to him. Once it arrives, he will receive a text with a PIN code. Because we are a 24-hour convenience chain, we will be able to offer online shoppers the convenience to pick up their purchases 365 days, 24x7," he says.

Brown says the move is to make shopping as convenient as possible and is part of the chain's evolution in the larger retail space that is not confined to bricks and mortar. It has been around since the 1980s but it was only of late that the convenience chain began went beyond retail to offer payment services.

7-Eleven Malaysia Holdings Bhd was listed on Bursa Malaysia in 2014. The convenience store chain is controlled by Tan Sri Vincent Tan Chee Yoon, with an indirect stake of 53.59% via HQZ Credit Sdn Bhd. HQZ Credit is the ultimate holding company of Berjaya Retail Bhd - the major shareholder of 7-Eleven.

Brown says he is seeing a lot of changes in Malaysia's retail landscape and 7-Eleven, as part of that landscape needs to improve customer's experience by making it convenient.

Brown says the company plans to open 200 new stores annually for the next 10 years.

It opened 500 new stores in the past 2½ years and at the same time, refurbished another 500. The cost of 200 new stores and refurbishing another 200 involves an investment of between RM80mil and RM90mil a year, he says.

Brown says out of 2,050 7-Eleven outlets, close to 100 stores are located in malls and other managed facilities.

In Publika, Solaris Dutamas, there are four 7-Eleven outlets, six in Times Square, Jalan Imbi and three in Sg Wang mall. Two out of the six in Times Square operate 24x7.

"In a high traffic area, for example, in a mall, we need to have more density. In a mall, they operate 12 hours. But when they are outside a mall, but in a managed area, they operate 24x7," he says.

Brown says the company is interested to enter more malls. Having a store in a mall makes sense because consumers do not want to walk too far.

"7-Eleven leverages on what we call impulse satisfaction, or instant gratification," he says.

It also offers mobile top-up services and payment of utility bills 24x7 and recently introduced sitting arrangement for that cup of coffee.

"It is not convenient carrying a cup of hot coffee around," he says.

The convenience store operator reported a group revenue for the financial year ended Dec 31, 2015 of RM2.01bil, an increase of 6%, or RM113.2mil, over 2014's revenue of RM1.89bil.

The company reported a gross profit of RM59.9mil for 2015 financial year, which translates into a 3% gross profit margin over revenue, which is normal as margins tend to be rather thin for the retail sector. It reported operating profit of RM17.7mil, an increase of 2.2% compared to 2014.

Better merchandise mix

Its growth in revenue was driven by new stores, an improved merchandise mix and consumer promotion activities, and was achieved despite an ongoing retail market negativity, which explains the need for the company to go into a store expansion mode as well as to offer new services at its 24-hour outlets.

The company's store expansion drive of about 200 new stores a year will help grow revenue. Its store count increased by 199 stores or 11.4 % from 1,745 stores to 1,944 stores in 2015.

On the often quoted view that there is an oversupply of retail space in the Klang Valley and cities like Perang and Johor Baru, Brown disagrees:

"There is a lot of mall space in the Klang Valley but I would not say there is an oversupply. Malaysians like malls, so they have a role to play, despite the growth in online retail," he says.

He says the more pertinent question is what will happen to malls which are not well located and which are not well managed.

Those that are will continue to grow, thrive and attract tenants. A mall will survive on tenant mix, which drives customer traffic.

"There may be some fallout if a mall does not have a good tenant mix," he says.