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1 Introduction
Retail companies operating in the saturated markets are seeking to find new ways to differentiate themselves from the competitors. The intensive competition and rivalry between the powerful chains together with the changes in consumer behaviour brought about by the economic recession have forced retail companies to pay more attention to the profitability of their business operations, but also to innovate and to seek competitive advantages through store format development.

LAWSON, the second largest CVS chain in Japan, has been exhibiting innovativeness related to format development. Since 2001 it has challenged the market-leader Seven-Eleven Japan’s (SEJ) dominant position in the market with a multi-format strategy. Unlike SEJ which has one standard store format, LAWSON operates a standard CVS and also three other types of CVSs targeted to different customer segments. With the help of the multi-format strategy LAWSON has been able create new markets for its stores and to operate store in such a geographic regions where the market leader SEJ could not run stores profitably.

The Japanese convenience store (CVS) sector is dominated by SEJ, the pioneer and innovator of the CVS format in Japan. SEJ has used the market dominance strategy to expand its network of CVSs into selected geographic areas. Its highly efficient business model as well as many of its innovations in store format development, merchandising, logistics and in the use of sophisticated systems for item-by-item control in the individual stores have been copied and adopted by other CVS chains including LAWSON, Family-Mart (F-Mart) and the many mid and small size regional chains. For a long time the market growth attracted new chains in
the market. As a result, the increase of the number of companies competing with a similar store format has led to the development of highly dynamic, competitive and saturated Japanese market.

In their research on the Japanese CVS system many Japanese and western scholars have mainly focused on analyzing the innovativeness related to SEJ’s business model, and systems development (Kotabe, 1995; Yahagi, 1997; Nonaka, Reinmoeller & Senoo, 1998; Ogawa, 1998, 2000, 2002; Reinmoeller, 2002a, 2002b; Takeda & Matsuo, 2002; Meyer-Ohle, 2000, 2003; Matsuo & Ogawa, 2007). Furthermore, the origin and the development of the SEJ’s store format and company’s pioneering role in the Japanese market are also well documented in marketing literature (Bernstein, 1994, 1996; Barrett & Buehler, 1997; Sparks, 1994, 1995, 2000). Only few articles (e.g. Smagalla, 2004; Rapp & Islam, 2006) have dealt with the innovativeness or the strategies of the second largest CVS chain LAWSON or other companies in the market. The nature of competition of the Japanese convenience store sector and the store development strategy implemented by LAWSON in its nationwide expansion since 2001 have not been analysed in the academic research.

This paper is positioned to the research area concerning the innovative and strategic use of store formats as a means for differentiation and for creating new markets in the highly competitive retail sector. The focus of the paper is on the description of LAWSON’s store format development emphasising format variation. We seek to understand why LAWSON began to employ the multi-format strategy, and how LAWSON’s strategy has been conditioned by a set of critical factors, in particular those related to consumer behaviour, competition, efficiency and effectiveness.

This short introduction is followed by a summarized discussion of store formats and strategic decision-making. The main part of this paper is devoted to the case description of LAWSON’s unique strategy of store development. The case focuses on the change in LAWSON’s store development activities. The case description is based on secondary data such as annual reports, business articles and other such documentation.