

Product Strategy

Offering the products unique to FamilyMart

The products are the largest differentiating factor for convenience stores. The strengths and weaknesses of product development directly determine the ability of the chains to attract customers. Based on Innovation, the theme of the FamilyMart product policy, we are promoting three marketing strategies under the keywords Generation, Price and Region, and focusing our efforts on strengthening our organic value.

Identifying marketing strategies aimed at clientele expansion

Developing a product policy tailored to specific purchaser categories

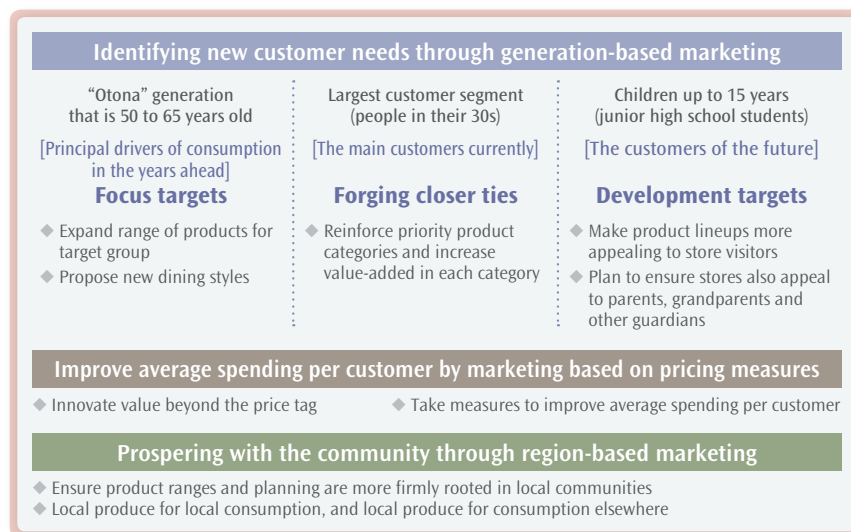
We are working on product development and our product range from the three perspectives of Generation, Price, and Region, in order to meet the diversifying needs of our customers.

■ The key is meeting the needs of older people and women

[Generation-based marketing]

In order to develop medium- to long-term growth scenarios at a time when the birthrate is declining and the proportion of elderly is rising, we have divided our target markets into three generations and are working on identifying product ranges that meet the needs of the respective generations. We define the older people who will be the major consumers in the years ahead as “focus targets” and are

◆ Three Marketing Strategies



taking measures to better serve them.

In fiscal 2012, we will continue to expand and improve our range of products that will satisfy older people, centered on the items being developed under the supervision of the “Otona-

conveni Laboratory.”

We will also do more for female customers, by expanding our product range in the F Series (original daily foods), particularly *natto* and *tofu*, and our lineups of vegetables, fruit and other fresh foods.

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Aggressive development of a strategy aimed at older people and centered

What is the Otona-conveni Laboratory?

Otona-conveni Laboratory is a research unit that develops ways of making convenience stores a greater part of the lives of the affluent, middle-aged “Otona” customer segment. It is aimed at people who are at least 50 years old and living an active lifestyle. We launched it in 2010 jointly with the lifestyle organization for active mature adults, “club willbe.” We have launched an entirely new business model aimed at understanding “Otona” needs and are proposing new lifestyles to the new “Otona” generation from a diverse number of angles, including the development of products and services, and social initiatives.

Product development for “Otona” customers

The Otona-conveni Laboratory discussed at length concepts for products which would satisfy “Otona” needs. They derived the three keywords “high quality feeling,” “care,” and “feeling of security (feels properly manufactured),” and then stipulated the following four standards for connecting these keywords to specific product development.

Four Standards for Product Development

Coloring and perceived quality	Extra effort/skill
Carefully selected ingredients	Health/environmental considerations

To date we have launched over 400 products aimed at “Otona.”



Kinmemai rice balls
These highly popular rice balls use carefully selected ingredients and are a cut above the rest.



Range of snacks for “Otona” – Otonano oyatsu
This is a premium line of confectionery made with special care for the ingredients and production methods. Over 1 million of these snacks were sold within approximately one month of going on sale!

■ Our challenges are increasing the average spending per customer and the overall number of items sold per customer

[Marketing based on pricing measures]

Responding to diverse price needs, we are carrying out product development which pursues value greater than price, from affordable products to high value-added products, in order to create a well-balanced product range.

One challenge has been the fall in average spending per customer due to the protracted consumption slowdown, but in fiscal 2011 we enhanced our high value-added products, in particular *bento* and rice balls, and as a result the average spending per customer across all our stores greatly increased by ¥18 from the previous year, reaching ¥552.

■ Focusing on rolling out localized products

[Region-based marketing]

Price sensitivity and tastes differ among regions. We have divided Japan into six zones, appointed an area supervisor for each zone, and are working on the development of products matched to the tastes of each region.

Furthermore, by the end of fiscal 2011 we had concluded comprehensive



IRODORI famima DELI

A broad product range which enhances the fun and satisfaction of meals, from the classic items to innovative new products.

agreements with 35 prefectures throughout the country. We are promoting local production for local consumption and local production for consumption elsewhere, with the objective of revitalizing local economies.

Strengthening the organic value of FamilyMart with innovation

Creating a fifth brand

In September 2011, we launched a new brand, IRODORI famima DELI, which is centered on delicatessen items and salads.

In recent years, the decline in the birthrate, rise in the proportion of elderly, and stagnation of the economy have brought about changes in the dietary habits of the Japanese people. There has been a return to cooking at home, and a diversification of eating styles, and in response our products, packaging and

stock displays have been refurbished. We have launched approximately 100 types of products including side dishes, snacks, soup, gratin, vegetable salads and packed delicatessen items, to strengthen our delicatessen and salad product range.

With these products as additions to the dinner table at home, or as meals for single people, we are bringing in new clientele such as older people and women, while aiming to bring out latent demand.

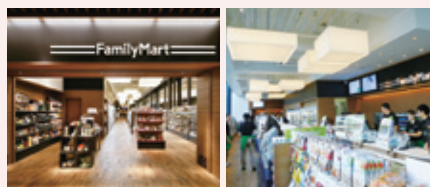
FamilyMart has already positioned Three-Star Pasta, Sweets+ (desserts), Famima Kitchen fast foods and *Ajiwai* Famima Café chilled-cup drinks as its four priority product categories and created unbeatable, overwhelmingly successful products. We will develop the IRODORI famima DELI range into the new face of FamilyMart, and aim to differentiate it as our fifth priority product category.

on the “Otona-conveni Laboratory”

The flagship store of the Otona-conveni Laboratory opens in Daikanyama!

In addition to fulfilling the basic functions of a convenience store, we offer a product range that stimulates the curiosity and tastebuds of older consumers, in a calm, comfortable store space.

Of the approximately 2,600 items on display, approximately 700 are products handled only by the Daikanyama store. We have developed premium products in each category, and we have also enhanced the lineup of imported confectionery and liquors. At this store, we have accumulated know-how regarding product ranges which satisfy the “Otona” generation. FamilyMart is utilizing this know-how in product ranges at other stores as well.



We have created a calm store space that employs both LED lighting and indirect lighting within an interior making much of wood surfaces.



A bright, stylish eat-in area.

Example of a product range for the “Otona” generation

A dessert created with care for quality

We developed a dessert range with a greater focus on cream and toppings than in standard FamilyMart stores.



Wine: Enjoy the difference

For “Otona” customers, the theme of our wines is, “Enjoy the difference.” We do not focus on one producing region only. We handle wines from all over the world.



Fresh Frozen (frozen ready-to-eat items)

If you have a microwave oven you can enjoy that freshly-cooked taste any time.



Chilled cooked rice

Keeping products within a chilled temperature zone enables us to broaden the range of tasty items we can offer customers.



We have expanded and improved our product range with frozen ready-to-eat items and chilled cooked rice

One sector we intend to focus on going forward is frozen ready-to-eat items. Customers can take the products home still frozen, or they can get them heated up in the microwave oven in the store and eat them immediately. When we conducted trial sales in some stores, sales of all frozen food items rose. In fiscal 2012, we plan a full-scale expansion of cooked rice dish, noodle and light meal ranges.

One more sector we will focus on is chilled cooked rice. We will aim to improve the quality and extend the sell-by date using a new cooking method that utilizes the *umami* (savoriness) within the ingredients. Through these measures, we will develop a more varied product range, with a greater proportion of chilled cooked rice products in our stores, to expand our clientele and improve our ability to attract customers.

Improving profitability

Structural reforms

We have launched a profit structural reform committee, which has members from different units, to comprehensively review our product supply chains, locations of manufacturing sites and other matters. Both our manufacturers and the vendors are promoting structural reforms to eliminate excessive, wasteful and unreasonable processes, and to foster quality while raising profitability.

In the past few years, the gross profit ratio has been hovering at the 27–28% level due to the effect of the increase in the proportion of sales accounted for by tobacco, which has a low gross profit ratio, but the ratio excluding tobacco has been steadily improving. Going forward, we are aiming to quickly achieve a gross profit ratio of 30% by improving our trading terms and working to overhaul our manufacturing and logistics infrastructure.

famima.com is expanding its product range

famima.com is utilizing its unique strengths as an online shopping service — limitless product ranges and no space restrictions — to roll out a wide range of products including gourmet foods, entertainment products and character-goods.

Furthermore, we run multi-faceted promotions that link online and store-based services, using Famiport content.



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Overview of structural reforms

