

THE LUMINARIES 2014



Mr. Jose Victor P. Paterno receiving his award on stage, from left Mr. Oscar R. Reyes, President and CEO, Meralco; Mr. Manny Pangilinan, Chairman, Meralco; Mr. Enrilito Chan, President, MC Master Siomal Hut, Inc. and 2012 SME Luminary; and Mr. Alfredo S. Panlilio, SVP and Head, Customer Retail Services & Corporate Communications, Meralco

Meralco paves the way for 7-Eleven's rapid expansion

On February 29, 1984, Philippine Seven Corporation (PSC) opened its first 7-Eleven store at the corner of EDSA and Kamias Streets in Kamuning, Quezon City. In April 1984, they opened their second 7-Eleven store at Presidents Avenue in BF Homes, Parañaque City.

"It wasn't exactly the best of times," Jose Victor Paterno, PSC chief executive officer, recalls, "Interest rates hit 50 percent a year after we opened. Growth was quite slow. We opened our 100th store in 1995, after 10 years." It would take another 10 years before PSC would open its 300th store, but by then, the Filipino consumer had wholeheartedly embraced the concept of a store that's open 24/7.

Paterno says, "Somebody said that what we sell is actually time. We sell time. It's very urban. It caters very much to the working professional, usually students, and people who are challenged for time. It needs density to thrive, urban density. It usually caters to individuals, people buying for themselves. We don't have housewives doing the weekly shopping."

He adds, "In general, I think communities appreciate having a place to run to. Even if they don't use it, knowing it's there gives them a sense of comfort."

For a store that runs 24 hours a day, seven days a week, energy is a critical factor. Part of what makes 7-Eleven so attractive among consumers, apart from its wide selection of merchandise, is its clean, well-lit, and air-conditioned environment. Not surprisingly, electricity is one of its biggest costs.

This was not to be a deterrent to the company's growth. In the last five years, its store number hit 1,000, and this year, it is looking at opening 300 more.

PSC also refined its site acquisition methodology to an art, ensuring that it targets only the best locations for future 7-Eleven stores. It also took advantage of the economies of scale that arise with growth, enabling it to improve its bargaining position with suppliers.

It has also found a most helpful partner in Meralco. Paterno says, "We used to talk to them at the branch level. We applied together with

whatever business was in the area. We'd apply as an independent store. Now that we've grown, Meralco gave us due recognition as a group of a thousand stores."

By communicating at the management level, PSC and Meralco were able to work out details of the former's energization requirements more efficiently. In 2013, PSC involved Meralco in their strategic business planning for expansion, giving the power company an overview of

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From a slow growth in the 90s, 7-Eleven, in partnership with Meralco, is on its way to opening 300 more stores this year.

everything that needs to be done from their end. PSC also asked their contractors to enroll in the Accredited Meralco Contractor (AMC) Program. Contractors and electrical engineers who attended Meralco's safety and technical seminars were able to provide PSC with reliable, safe, hassle-free, and on-time energization. Together, these moves contributed to the opening of 200 7-Eleven stores within the Meralco franchise area. This partnership has also paved the way for PSC to be awarded the 2013 Luminary for Small and Medium Enterprise—a recognition given to Meralco partners who contribute significantly to the country's economic growth.

PSC is also looking at how to further improve its bottomline through Meralco's Peak-Off Peak Program (POP). POP is a pricing scheme offering lower generation charges for electricity consumed during off peak hours.

The future is definitely bright for PSC and 7-Eleven. In a disclosure to the stock exchange last March 2014, the company reported that its net income grew to P682.6 million at the end of 2013 from P465.2 million in 2012. This is a 46.7 percent jump from its 2013 performance.

Apart from the 300 stores in the pipeline this year, more stores are also being renovated to keep its convenience store concept fresh. He says, "We're renovating a lot of stores this year, partly because it makes financial sense and partly because it's a good response to competition. Beyond that, we are also pressing our expansion. I think the greatest risk that we face is that this market will grow faster than our ability to keep up."

He adds, "If I felt the organization could do more, I'd build more. But I don't want to stretch it too much... If I could build a thousand, I would."

And so, Philippine Seven will continue to build more and more 7-Eleven stores in the years to come, bringing to our neighborhoods a friendly place where they can shop in comfort and leisure 24 hours a day, seven days a week in a clean, well-lit environment.

For more information on Meralco Biz Partners, please call 16210 or log on to www.meralco.com.ph/biz or visit your nearest Meralco Business Center.