

Toward the Renewal of Core Department Store Business, J. Front Retailing Will Work on Management Reforms at the Level of Changing Business Formats.



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The poor performance of department stores is attributable to a rapid decline in their competitive edge over other retail channels including specialty shops, fashion-oriented commercial buildings and online retailers, which resulted from the inability of the current department stores to respond to the changing times and the loss of customer patronage, as well as recession and worsening deflation.

In this context, J. Front Retailing (JFR) tackles drastic reforms at the level of changing business formats, instead of just modifying or improving the existing department store operations, in order to renew its core department store business into a highly competitive and profitable new industry.

We aim to build a “new department store model (=department store renewal program to create attractive and profitable stores that entice customers to visit).” Toward its realization we will work on the following three important tasks.

The first task is “to improve market response capabilities,” and “adaptation to market changes” and “expansion of target market” will constitute its pillars.

With a “wide range of product composition and lineup premised on high quality and good taste” as its basic merchandising policy, JFR will widely review target customers, merchandise mix, pricing structure, and the tastes and minds of goods on its store shelves according to the characteristics and actual competition of the areas in which its department stores are located to find the best balance and strengthen its competitive edge.

Concerning the brands and merchandise offered at their locations, department stores have selected mainly from among their existing suppliers and placed too much weight on high prices, women’s clothing, the middle-aged, authenticity and dress-up. JFR will drastically review these practices so as to adapt to changing market needs and be well suited to the recent major consumer trends toward more casual attire and greater price consciousness.

In terms of prices, we will expand into more reasonable price range instead of focusing on high quality and high-priced goods as in the past by increasing the assortment of valuable

items in the low to middle price range “of department stores” while maintaining the high sensitivity of department stores to widen the range of target customers.

We should differentiate ourselves from the peer group and other retail channels and build “specialty” floors and zones that customers feel at first glance “are their shopping places” to create attractive stores that entice customers to visit. For this purpose, JFR will aggressively develop “specialty zones” that create “special added value” and will work on branding them, by selecting and offering brands, shops, products and services based on clear concept tailored to the values and lifestyles of target customers.

As a result of building a specialty zone “Ufufu Girls” targeting young and around 30-year-old women in the north wing of Daimaru Shinsaibashi store, which opened in November 2009, and Daimaru Kyoto store, which was remodeled in April 2010, we feel it has a great effect, enjoying high popularity among young women to whom department stores could not cater enough.

The second task is a customer loyalty strategy, which provides promotional support to our new department store model.

A customer loyalty strategy for identifiable customers holding our company-branded cards whose profiles and buying histories we can keep track of serves as a very effective measure to retain customers who visit specialty zones, which are the important strategic retail space of our new department store model, and make them repeaters as well as ensure steady sales.

Many new customers who had seldom shopped in department stores visit specialty zones that have clear concept. It is important to increase the number of loyal customers by accumulating efforts to have customers become our cardholders or email members and feel they are “their shopping places” through close communication with their “favorite” specialty zones.

To this end, JFR will be fully committed to finding and increasing its cardholders and email members in keeping with the development of specialty zones to be opened in its department stores in the future.

The third task is a “structural switch to highly efficient operation.”

Under the new department store model, retail floor operation is divided into two types including “shop operation” and “independent operation” and we are working on establishing an operation system, planning staff distribution and training personnel to suit their respective characteristics.

These two types differ greatly in role and responsibility sharing with suppliers in a business process, personnel arrangement, profit structure and method of staff training. The sophistication of each operational know-how as well as the effective combination of these two types in line with store or floor concept will greatly improve human productivity in the operation of department stores and enable the creation and operation of stores with high management efficiency. JFR will also clarify what professional persons are needed to operate each of the “shop operation” type and the “independent operation” type and focus on developing and using such people.

In addition to the efforts mentioned above, by increasing the profitability of existing businesses other than department store operations while increasing expansion into growth areas, we will change business structure from management too lopsidedly inclined toward department store business to raise profits and grow in a balanced manner throughout the Group.

In March 2010, Daimaru and Matsuzakaya merged a year ahead of schedule and completed preparations for the organization and business operation systems to establish the new department store model. For fiscal 2010, business environment facing department stores is expected to remain severe. However, we will unite our efforts to build the new department store model and expand its performance under thorough customer-first creed toward the realization of the enhancement of corporate value and sustainable growth.

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