Acceleration of Business Model Transformation

Urged by COVID-19

Shrinkage of department store market accelerated by COVID-19

National department store sales are on a downward trend after peaking at ¥9.7 trillion in 1991 and fell below the ¥6 trillion levels in 2016. Recently, while mainly urban stores had strong sales thanks to brisk spending by inbound tourists and affluent people, the severity of rural stores was accelerated. Thus the disparity between urban and rural areas was further widened. What is worse, in 2020, inbound consumption, which had driven sales, was hit by the COVID-19 pandemic. Therefore, we decided to take two major directions as a new department store business model.

Seek a new business model

Therefore, we decided to take two major directions as a new department store business model. The one is an option "not to operate a department store," that is, a 100% transition to a real estate rental business. One of its examples is GINZA SIX, which was created in 2017 by developing the two blocks including the former site of the Matsuzakaya Ginza store as one. The other is to build a "hybrid model" that combines real estate rental with Kaitori and shoka shine under the "department store brand." Its typical example is the new main building of the Daimaru Shinsaibashi store, which opened in 2019.

Daimaru Matsuzakaya Department Stores duty-free sales

The advantage of shoka shine is to realize sales growth, which enables us to seek greater return. On the other hand, the advantages of fixed-term lease are not only to realize stable revenue and the reduction of operation costs but also to increase the variety of tenants to strengthen the response to service consumption and experience-based consumption, which makes the store look fresher. It is important to find the optimal balance for each store considering its customer target, the characteristics of the area and the building form.

Evolution through the merger of real and digital

We will take this direction to change the business model of physical stores. The current COVID-19 pandemic has revealed how much the business centered on physical stores is constrained by "time and place." It is needless to say that digital response is vital to overcome that. However, our major battlefield is increasing the value we offer through person-to-person communication, which is our strength. Expanding e-commerce with an omnidirectional full line of items using digital technologies is not the direction we will take. The starting point is to create a world view based on the content provided in physical stores and our own curation. We will try to build our own media focused on people and overcome the time and space constraint by further improving physical stores and merging them with digital. And we will provide the content that creates new experience value through the media to develop into "media commerce" that achieves multiple revenue streams.