

Department Stores Will Further Change and Evolve

Implementation of a new department store model

J. Front Retailing is advancing the establishment of a new department store model to become more market responsive and realize a structural switch to low-cost operation.

The new department store model is a “department store renewal program to create attractive and profitable stores that entice customers to visit.” Specifically, we are working on expanding target customer base, widening the range of products, promoting the development of new retail space and increasing management efficiency as well as maintaining and strengthening department store’s traditionally strong middle to high-end product offerings, while individual stores clarify and thoroughly implement store strategy, in a bid to adapt to major market changes including the consumer shift to “more casual lifestyles” and “more frugal and price-sensitive behavior.”

Radical overhaul of sales floor configuration

Specifically, the Nagoya store renovated its young fashion, luxury brands, cosmetics and accessories floors in the first phase in 2012 and the entire food floors on the first and second basement levels of the main building in the second phase in 2013. Many Japan’s first and Nagoya’s first popular shops were introduced to create “Nagoya’s greatest food zone Gochiso Paradise.” On the second basement floor, we newly installed a specialty zone Table Plus. In terms of facilities, we eliminated differences in level in the center, which had blocked the view, and overhauled traffic flow on the floors to ensure better visibility and easier shopping. Following that, Pokemon Center was introduced and it attracted much more customers with children. Thus the expansion of customer base created a ripple effect on each floor.

And in the third phase spanning about one year from spring 2015 to spring 2016, a large renovation of

around 30% of the total sales floor area was carried out. We mainly reduced its homeware and women’s apparel sales space while introducing Yodobashi Camera as a new category on the 4th to 6th floors of the south wing. In the north wing, which was renewed and reopened this April, “men’s clothing and accessories” are offered in increased sales areas on the lower floors from the 1st to 3rd floors and “golf and sports goods” were brought together on the 4th floor right above them to offer a total assortment of men’s items on a larger scale.

Also in the Kyoto and Sapporo stores, women’s volume zone clothing areas were reduced, and instead luxury zones were expanded to better cater to the new rich class.



Men’s shoes department, Matsuzakaya Nagoya store

Try to develop new sales areas

In addition to these initiatives, we will develop new curated sales areas in two directions in the flagship stores.

One is to expand the introduction of “accessible luxury.” At the present time when consumption is increasingly polarized, we see accessible luxury offered at relatively affordable prices as a new growth area for the future. The curated luxury area, which opened in the Kyoto store ahead of other stores and performs well, is a trial to such a growth market. This initiative was also adopted in the Shinsaibashi store this March and will be expanded into other stores.

The other is to develop “curated mixed-category

areas.” In the second half of this year, by developing new curated areas including an accessories area mainly offering cosmetics with lifestyle at the core and an apparel area combined with non-apparel categories in the flagship stores such as the Tokyo and Kyoto stores, we will accelerate our efforts to revitalize sales areas to create new markets.

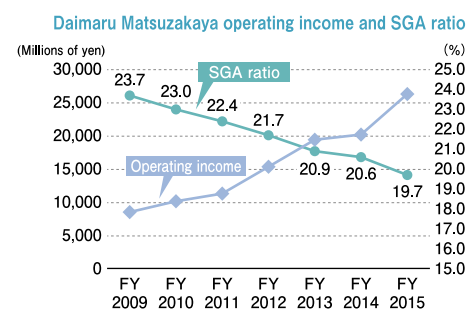
In conjunction with these initiatives to enhance the appeal of our stores, we will drastically overhaul the product selection, services and systems for online sales to promote omnichannel retailing and evolve our department store model.

Progress of low-cost operation

Our sales floor operation formats are divided into two types including “shop operation” and “self curation” and we are working on establishing operation systems, planning staff distribution and training human resources to suit the characteristics of respective formats.

In September 2012, a new company named Daimaru Matsuzakaya Sales Associates Co. Ltd. was spun off from the Group’s staffing company Dimples’ Co., Ltd. We transferred department store sales floor operations to the new company and thereby improve expertise in order to further increase the efficiency of sales floor operation.

In fiscal year 2015, we streamlined the headquarters organization and drastically overhauled promotion methods to further increase productivity.





Matsuzakaya GENTA