

# Try New Product Development through Alliance

J. Front Retailing moves forward with operation reform by dividing sales floor operation formats into two major groups including “self curation” and “shop operation.”

Since department stores can expand or shrink sales space and change product mix at will in the self-curated areas, we can quickly adapt to ever-changing markets and customers. Their gross margin is higher compared to the shop operation areas because department stores take inventory risks. Therefore, their effective and efficient operation helps enhance profitability.

We see such self-curated areas as the Original Merchandising Business in which we plan and manage the whole process of “buying and selling” ranging from marketing to buying, procuring and selling. The main offerings in the self-curated areas are women’s accessories (women’s furnishings and women’s shoes) and men’s accessories (ties/furnishings, shirts, men’s underwear/hosiery, bags/travelling gear and men’s shoes).

## Develop self-planned products reflecting customer demands

In the Original Merchandising Business, we are working on rebuilding merchandising to radically strengthen profitability. In particular, with regard to goods purchased on a no-return basis, which are central to improving profit margin, we promote the development of self-planned products, which we plan and develop based on customer demands.

For our private label women’s shoes Dixsept Dixsept, we interviewed women in a wide variety of jobs in collaboration with the students of the Faculty of Policy Studies of Kansai University who act under the theme of the “revitalization of local industries” to learn their “complaints about shoes.” In response to the results of these interviews, we developed “pumps for demanding working women,” which have features to “solve five complaints.”

In fiscal year 2015, the total sales of the products purchased on a no-return basis of the Original Merchandising Business increased by about 25% year on year. Thus the system in which we take the risk to buy and sell high-margin products is steadily becoming established. We will continue to develop high quality and highly fashionable self-planned products making the most of the voice of the customer.

## Promote product development through alliance

In the Original Merchandising Business, we promote product development through the alliance with Senshukai. Specifically, the Company and Senshukai reestablished Senshukai’s original brand Kcarat, which is produced by Ms. KURODA Chieko, a fashion model who is popular among women in their 50s, as a new original fashion brand planned and developed by the Company and Senshukai and opened shops-in-shop in five Daimaru stores in March 2016. The new Kcarat will adapt to increasingly diverse customer needs and buying styles as an “omnichannel fashion brand,” which is sold in the physical stores of Daimaru Matsuzakaya Department Stores, Senshukai’s catalogs and on the e-commerce sites of both companies. We will promote new product development through alliance in other merchandise categories such as women’s shoes as well.



## Launched “select accessories” zones

In the Original Merchandising Business, we are expanding our line of high-priced items in response to increasingly polarized consumption. In March 2015, we launched a self-curated zone featuring a special selection of accessories from approximately 40 national and international brands in the luxury brand area on the 2nd floor of the Kyoto store. Targeting the new rich who have high purchasing power and a great interest in fashion, we curated shoes, bags, neckwear and other items from burgeoning brands and the next-generation designer brands across categories. Thereby we could successfully acquire new customers and the ratio of repeaters increased to about 20%, which shows that conversion into regular customers is steadily progressing. In March 2016, we launched a new zone in the special selection area on the 3rd floor of the north wing of the Shinsaibashi store. We will expand it into the special selection areas of other flagship stores as an “accessible luxury” accessories zone.

## Private brands and collaboration

Products offered in the self-curated areas other than women’s and men’s accessories include Sofuol, our private brand of women’s clothing, Esche, a collaborative business with World Co., Ltd., and Trojan, our private brand of men’s clothing. Based on trust in department stores, they all offer original goods with a good balance between quality and price and attract popularity from customers.

Trojan, which has a history of over 50 years as our department store’s men’s clothing private brand, was greatly remodeled in spring 2015. Two new models were introduced in addition to the existing basic models and the brand offers not just ready-made clothing but also semi-custom-made clothing in one shop to meet the needs of customers of all ages and body shapes. Sofuol collects the demands of a wide range of working women through online questionnaire and actually develop products with customers as monitors in an effort to reflect customer demands.



Private brand of men’s clothing Trojan

## Expand sales channels

In the Original Merchandising Business, we are expanding into new sales channels. Since March 2015, we offer women’s shoes, men’s shoes and shirts on Daimaru Matsuzakaya Department Stores’ fashion website Click & Collect. In fiscal year 2015, we also started to sell private label items and accessories in Mitsui Outlet Park Shiga Ryuo and Marine Pia Kobe and gained popularity with customers. We will strive to expand into various sales channels to increase profitable sales.



