



“Redefine Department Store as ‘Growth Model’”

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What I saw after leaving the department store business

About two years have passed since I left the management of the department store business. I think it was very meaningful that I could contact people in the financial sector, for example, institutional investors, with whom I had had no contact before, and could see the department store business as an industry. The current market size of department store industry is approximately ¥5.9 trillion, but actually, its sales continue to decrease. Everyone knows that the department store business is not a growth industry but has looked away from the fact. The impact of

COVID-19 was added and the vulnerability of the department store business appeared more prominently. As a new President, I think I should start from this.

The reason why the department store business is no longer a growth industry is clear. It is because they cannot scale up. Basically, it is necessary to increase the number of stores to grow in the retail industry. Needless to say, however, currently department store chains cannot operate many stores both in Japan and abroad. It is an idea within the framework of “what the department store industry should be like” and staying in the framework is like being on a sinking ship. I think one of the

reasons why the department store business has got in such situation is seeing the store-level management over the span of three years at longest. They focused too much on whether their performance was above or below the previous year's level, and in fact, sales have decreased slowly over a long span of time. As they only saw over a short span of time, they could not face essential problems.

I thought we should change at some point the situation in which the department store business cannot grow. And I think, accelerated by the current COVID-19 pandemic, the phase we should confront has come suddenly.

Department store needs to be redefined

Redefine department store— I think now we are in such phase. There are many perspectives and we need to define what position the department store business should take from a non-traditional angle. It is the same thing as innovating its business model. It is certain that the potential of growth will increase to some degree, if not to infinity, depending on how to use digital. Depending on how we approach, we may be able to do something that creates great impact such as the opening of a new store in prime location. I am thinking of things like that seriously.

For example, when we want to grow the top line and profit, there are two major things we have to do. One is to boost sales by spending money on promotions in the short term. The other is to boost sales by changing a system, which I have to say is an intangible asset. In order to boost sales, I think the department store business has mainly conducted sales promotions in the short term rather than creating a medium- to long-term system. This approach produced a certain results in the past but it is doubtful whether it will really work in the future. We have addressed various reforms in response to the changing times. However, there is no doubt the current COVID-19 pandemic brought us to the point where we should drastically re-examine the way department stores are operated. I recognize we need to change our mindsets at an unprecedented level.

I think creating a system to make money is absolutely a growth strategy. We need to consider whether our current system will apply to the post-COVID-19 world and to adapt it to changes. We cannot lose any time. In the current situation in which there remain concerns about a 2nd wave of infections, we have to assume we may be asked to restrict the business

hours and sales floor areas. In such case, we need to devise ways to avoid losing significant sales even during shorter business hours or on closed floors. If we continue to be asked to avoid the “3Cs,” as a matter of course, the number of customers will be restricted. It is clear that we will not be able to have the same or more sales than before only by relying on promotions that cost much.

We have to create a new system that fits the post-COVID-19 environment. I think it will lead to the innovation of business model. I think it is difficult to achieve discontinuous growth unless we go into such depth. And our focus should be on digital. Unfortunately, we have almost no system to make money using digital. Digital should be placed on the center of our business as a system, not for promotions. I think it will become a pillar of our next strategy.

Role as supply chain

As the saying goes, “You must understand the past to know the future.” We have to think about again why department stores attracted so many people when they prospered. From a perspective of what role we should play in the supply chain, I think we are expected to successfully find products and services created by people who do not go out into the world yet but wait for an opportunity to publish and to grow them by putting them on our stage like so-called incubation. The goods and services that are very fresh for customers and available nowhere else will definitely motivate customers to visit our stores. Ideally, it is even better if they are not available online, either. I would like to create a platform where there are always new encounters and matchings through us.

To this end, we need to watch people who create wide perspectives and new values. However, if we deal only in such products and services, it

may not be profitable. So we have to strike a balance.

For example, among a platformer, a servicer and a manufacturer that supports it, we must be a servicer. As the case may be, however, I think there is a possibility that we will become a platformer for affluent customers.

Furthermore, I think we have to position the department store business from a more digital perspective. In terms of supply chain, as the case may be, we may go farther up the stream.

To change a culture is to reform the management

The “JFR Way,” the guidelines for action to realize the Group Vision, says “Try without fear of failure!” But honestly, many are still conservative. Therefore, I would like to change our corporate culture so that employees take on challenges. They very much excel at performing operations in a responsible and efficient way, which is a valuable asset accumulated by our predecessors. Obviously, however, we cannot go through the current situation only by doing so. The underlying is to a little more “enjoy trying” something new. I would like to take the lead in creating such atmosphere. We cannot grow without taking on new challenges, and to this end, it is important to actively bring in external insights. We will put aside the idea of doing all by ourselves for now, and instead, focus on external collaboration. After drawing up a plan to implement it, we would like to assign people who can implement it or cooperate with someone outside who can implement it to achieve concrete results.

I served as the Director of Parco and feel that Parco has more people who “enjoy trying” than the department store. I think it is Parco’s corporate culture. I would like to actively learn from it, which will lead to synergy sought by the Group.