

Without Getting Carried Away, Face Challenges Head-on.



MUNEMORI Koji

President and Representative Director
Daimaru Matsuzakaya Department Stores Co. Ltd.

Create a unique position

Our department stores are currently performing well thanks to two active drivers: wealthy domestic consumers and inbound tourists. From a macro perspective, it is safe to say that this situation will continue for some time. Rather, I believe that it is precisely because we are in such a favorable environment that we must first work to enhance our strengths and at the same time work to resolve the fundamental issues facing our department stores.

In terms of customers, we would like to continue to grow our gaisho and inbound sales, which are already growing. On the other hand, our main customers before COVID-19 are seeing a decline in purchasing power due to the aging population and increasing income polarization, so we need to attract new customers. In other words, I believe we need to have a strategy to effectively attract the MZ generation customers.

In terms of products, we will continue to steadily increase already growing sales of luxury goods, watches, and art this fiscal year. However, naturally, other department stores also focus on these categories, making it difficult for department stores to differentiate themselves from one another.

This is where the approach using content becomes important. I mentioned earlier that it is our challenge to attract the MZ generation, and we see content as an essential factor in overcoming this challenge. For this reason, we established a division dedicated to the development of new content last fall, and over the past year we have already discovered and developed more than 70 brands, both large and small, and they, including pop-ups, are moving forward strongly.

Through these efforts, it is essential to create our unique position, and I recognize that this is precisely the important role I have been assigned. We will fit our department stores into the current era and market. Now that we are performing well, I would like to speed up the transformation of our department stores.

Brand “gaisho”

Our gaisho business, which organizes wealthy customers, has continued to grow steadily and has expanded into a market worth over 200.0 billion yen. The annual large-scale event for gaisho customers held in May of this year recorded its highest sales ever, driving active consumption at our department stores.

One particularly distinctive recent trend is the growing presence of young affluent people. I believe that our efforts to cultivate customers online and to strengthen our value-added content, such as luxury goods and art, have also contributed to our success. I am also taking notice of the fact that the average spend per customer is high. I expect that these markets will continue to grow steadily in the future, not only because of the recent asset effect, but also because of the rise of young power couples.

“Gaisho” is positioned as an important touch point with customers along with “stores” and “app.” Or it could be said that it is one of the intangible assets that has been cultivated over the years. I wonder if we can brand this “gaisho” operation, which is unique to Japanese department stores. If we redefine what it means to be a department store’s gaisho from the customer’s perspective, I believe that the fundamental value of gaisho will become more apparent. I think it would be interesting if, in the future, a new style of gaisho could be created at GINZA SIX, for example, which is overwhelmingly popular among the younger generation, as gaisho becomes recognized as a brand by the younger generation.

Our department stores are now characterized by a growing number of non-gaisho customers with high purchasing power. For such customers, we will first encourage them to use our app to strengthen CRM. In this context, we will recognize customers who purchase above a certain level as “quasi-gaisho” customers and provide incentives to them to increase the average spend per customer. Ultimately, we would like to create a system that will encourage them to become gaisho customers.

As for wealthy overseas customers, we are working to convert inbound customers into loyal customers. The key point is how to convey information to those customers and keep them coming back, so we are exploring customer insights using several approaches. It may be necessary to change the means of communication from country to country. I also believe it is important to establish a mutual customer referral scheme for wealthy overseas visitors, as we are doing with Central Group in Thailand.

Strengthen approaches to young people

One of the characteristics of recent consumption is the growing spend by young people, especially in categories such as luxury goods, watches, and art. To put it another way, excluding them, there is little reason for young people to actively visit department stores. While they have spent a certain amount of money on cosmetics and basement food floors in the past, the key will be how to capture them in fashion, accessories, and new categories.

The Matsuzakaya Nagoya store, which is undergoing a major renovation in two phases, in November of this fiscal year and the first half of next fiscal year, will take on the challenge of expanding and rejuvenating its customer base. With this renovation, the women’s clothing brands will be replaced more boldly than before, and the so-called new luxury categories of fashion and accessories will be greatly strengthened. On the other hand, for continuing brands, we thoroughly analyzed CRM data and focused on the OMO approach.

The challenges associated with

mass-produced and widely distributed women’s clothing are also the very essence of the issues facing department stores that have been mentioned since before COVID-19. Against this backdrop, the decision to make major replacements was largely influenced by the behavioral changes that are in a sense irreversible, triggered by COVID-19.

First, fashion in the workplace has become even more casual. Second, especially for the elderly, the range of activities for outings has narrowed and opportunities for outings have decreased. Third, as the idea of sustainability has become more widespread, the market has shrunk, where the supply side produces large quantities and then they are sold out at bargain prices. These changes will never be reversed.

If this bold venture proves to be successful as expected, we plan to expand it to other flagship stores. There are still some stores with a high percentage of mass-produced and widely distributed women’s clothing, which we would like to change sequentially. It may be fair to say that the major renovation of the Nagoya store also serves as a proof of concept (PoC) for the future of our department stores.

Break away from homogenization using content as the core

Department stores are currently homogenized, unable to differentiate themselves, and also unable to assume new positions. I believe that content is concept at the top to break through this situation.

Currently we live in an era of smaller age-related differences, meaning that people are connected by values, regardless of age. In order to discover and develop new content in this day and age, we need to change the way we think about the very framework of content.

Our organization basically acts in a framework based on categories and brands. While this is certainly an efficient way of running an organization, I also feel that it may end up limiting our own scope of action. This means that the system is not in

place to discover content that goes beyond existing frameworks.

For this reason, we have established a new organization responsible for developing new content. What is important about content is the perspective of discovering new things as well as developing new things by combining existing ones. Another important keyword is “local,” and I believe this is where our strength of having a nationwide store network comes into play. While taking advantage of the fact that we have 15 physical stores from Sapporo in Hokkaido in the north to Hakata in Kyushu in the south, I thought that we could discover more of attractive local content through the valuable human resources of the employees who work there.

For example, there has actually been an initiative for co-creation by local content and luxury brands. This fall, the Daimaru Kyoto store has developed original products by connecting the craftsmanship of luxury brand with the next generation of traditional craft artisans in Kyoto, the birthplace of Daimaru, to create new value. We would like to firmly develop such initiatives in each of the areas where our stores are located. I believe that this will lead to the uniqueness of our company, whose strength lies in its connection with the local communities.

Our department stores are performing well, driven by luxury goods, but new proposals are needed to move to the next stage. To achieve this, I believe content is the most important concept. I believe that only by having this core of differentiation can we make the most of the improvements in our environment and services, which will lead to the establishment of a unique position.

If we can achieve these breakthroughs, I believe there is great potential for the Group’s department stores to evolve. In that sense, the current major renovation of the Nagoya store is packed with many elements that have the potential to dramatically change the future of our department stores. I do hope to show you the kick-off of what we consider to be the medium-term growth of our department stores, which will have an overwhelming impact.