

# Originality

Our Own Merchandising Sections  
Original Merchandise



# Responding Quickly to Market Changes and Seeking Originality and Profitability

J. Front Retailing divides the sales floor operations of its department stores into two types including “our own operation” and “shop operation” to reform the business model.

Unlike in shop operation sections, in our own merchandising sections, we can expand or shrink sales space and change product selection freely at our discretion, and that enables quick response to market and customer changes. They are department store’s unique strength not shared by other channels including station buildings and shopping centers. They also provide an effective tool to differentiate us from other department stores. Since their gross margin rate is higher compared to shop operation sections, their effective and efficient operation will help enhance profitability.

## Making our own merchandising sections operate themselves

In September 2011, in an effort to further evolve our new department store model, we reorganized the merchandise departments of our head office, which had been divided by merchandise category, into Original Merchandising Division and Shop Operation Division so as to correspond to the operation forms of individual sales sections.

Original Merchandising Division mainly handles women’s accessories (women’s furnishings, handbags and women’s footwear) and men’s accessories (ties/furnishings, shirts, men’s underwear/hosiery, bags, traveling gear and men’s footwear) to sell them in our own operation sections. It was reborn as business operating organization that plans and manages the whole process of buying and selling ranging from marketing to buying and procuring, selling and profit/loss management. As a virtual entity, the division is responsible for the bottom line, overseeing the people at our head office and stores who manage our own operation sections, sell products there and make purchases for individual stores.

Thanks to this, it became easier to offer products across

merchandise categories such as men’s goods and women’s goods and we can flexibly change the sales system in the sales space operated by Original Merchandising Division according to customer traffic. The thorough profit/loss management of individual stores promotes a shift of our values toward profit-oriented management including the improvement of human productivity.

## Development of new original sales space

In order to show pleasure, originality and excitement as an accessories shop, Original Merchandising Division shrinks and streamlines the existing item sales space, and for a limited time, it operates new sales space offering our original selection of products that are expected to form a new market. They include “Christmas *Joshikai*,” which offered accessories to enjoy *joshikai* (a girls-only party) stylishly and “Samurai Leather” with a collection of special bags and small leather goods made by Japanese craftsmen. All of them were based on themes beyond the limits of conventional categories and gained popularity. Among these trials, if we can decide that there is surely a market, we will consider making it permanent.

## Quick response to market changes

In our own merchandising sections, we can flexibly adapt them to changes at our discretion by expanding items currently demanded by customers and shrinking items in low demand according to seasonal and market changes. During the second half of 2011, we nimbly increased the offering of cold weather gear including gloves and scarves in January and February when temperatures were lower than average year, which contributed to sales growth. We will continue to meet

customer needs changing day by day in a speedy and dynamic manner to boost sales, for example, by catering to Cool Biz demand, focusing on rain gear and responding to the seasonal gift market.

## Other our own merchandising sections

Our own merchandising sections offering products other than women’s accessories and men’s accessories include our private brand of women’s wear “Sofuol,” item selections “Season Message” and “Jeaning Casual,” a collaboration with World Co., Ltd. “Esche” and our private brand of men’s wear “Trojan.” Based on trust in department stores, they all offer their original products with well-balanced quality and price and selections aiming at clear targets and they attract popularity from customers.



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## Aiming to develop other channels

For the second half of fiscal 2011, the first six months after Original Merchandising Division was created, their sales grew steadily by 7.3% from the previous year. We will expand and shrink sales space dynamically across men’s and women’s categories and develop new original sales space to boost sales. And at the same time, in an effort to further enhance profitability, we will buy more items to be completely bought and high margin products and increase sell-through by strengthening our sales system. We also consider incorporating Original Merchandising Division in the future and selling at other commercial facilities.



## TROJAN

Daimaru created this brand as pioneering men’s ready-made garments in 1959 when most of men’s clothing was made to order in Japan. As department store’s first private brand, it has enjoyed enormous popularity for more than 50 years. Trojan means a warrior of Troy (i.e., a brave man or a fighter). The brand offers to businessmen safe, reliable and valuable quality at prices acceptable to customers by putting wear comfort first and combining high quality materials and fine tailoring with contemporariness.

