

# Originality

Original Merchandising and Original Products



# Quick Response to Market Changes and Pursuit of Originality and Profitability

J. Front Retailing moves forward with operation reform by dividing sales floor operations into two types including “independent operation” and “shop operation” and creating organizations, operation process and human resource system that best suit each business model.

Since we can expand or shrink sales space and change product mix at will in the areas of independent operation, we can quickly adapt to ever-changing markets and customers. Gross margin rate is higher compared to the areas of shop operation because we take inventory risk. Therefore, their effective and efficient operation will help enhance profitability.

In the new medium-term plan, positioning the “Original Merchandising Business,” which manages the sales areas of independent operation, as a key to improving the profitability of our department store business, we will drastically strengthen the capabilities for product planning, inventory control and selling and contribute to making our stores more appealing and more distinctive as well as increasing gross margin.

## “Business operation organization” plans and manages the whole process of “buying and selling”

The Original Merchandising Business is operated as a “business operation organization” that plans and manages the whole process of “buying and selling” ranging from marketing to buying and procuring, selling and profit and loss management. It covers the sales areas of independent operation mainly for the categories of women’s accessories (women’s furnishings and women’s shoes) and men’s accessories (ties/furnishings, dress shirts, men’s underwear/hosiery, bags/traveling gear and men’s shoes). The merchandise divisions of the head office and store staff who manage the sales areas of independent operation, sell products there and make store-specific purchases are all under the control of Original Merchandising Division and the Division is responsible for the bottom line as a virtual entity.

## Rebuild merchandising

For the Original Merchandising Business, we are working on rebuilding merchandising to further increase profitability. Particularly, we position high-margin products such as goods purchased on a no-return basis, which will be central to improving profit margin, as “strategic products” and aim to dramatically increase their sales share in the Original Merchandising Business. Strategic products will be mainly staple items, which are expected to generate stable profits and

will not be greatly affected by trends. We will develop original products and differentiated products in the scope of “low to middle prices” and gradually expand the scope.

We already offer strategic products including neckwear, headwear and shoes imported directly from Europe and they enjoy popularity among customers. We will continue to strive to establish new procurement routes including direct transactions with overseas manufacturers, production sites and major material manufacturers. And by collecting opinions directly from customers in stores, we will strengthen the development of products demanded by customers to precisely meet their needs.



Camiccissima, strategic products purchased on a no-return basis

## Create systems to sell out

In order to improve profitability, we need to put in place systems to sell out the products we purchased to the last piece as well as to develop high-margin products. For the Original Merchandising Business, we introduced a new “SKU management system” in March 2014 to increase the sell-through rate of goods purchased on a no-return basis. Since the new system allows the head office and individual stores to obtain the sales and inventory status at SKU level in a timely manner, we can quickly and accurately transfer products among stores, do mid-season markdowns, change product mix and place additional orders.

Sales operations, which are the most important to sell out, are undertaken by Daimaru Matsuzakaya Sales Associates Co. Ltd., which was established to improve sales capabilities and build highly productive store operation systems. Based on sales plans, they sell high-margin priority products and develop sales people working for multiple departments in an effort to increase productivity per capita.

## Private brands and collaboration

The areas of independent operation for products other

than women’s and men’s accessories include private label women’s apparel “Sofuol,” item selections “Season Message” and “Jeaning Casual,” a joint brand with World Co., Ltd. “Esche” and private label men’s apparel “Trojan.” Based on trust in department stores, they all offer original goods with a good balance between quality and price and product mix aiming at clear targets and they attract popularity from customers.

For Sofuol, which is targeted at working women, we had questionnaires and trial meetings for working women. And we developed the “Saishokukenbi (lit. both beautiful and intelligent) jacket” that reflects their demands for a jacket that is “easy to move in,” “compactly foldable and wrinkle resistant” and has an “inside pocket large enough for a smartphone.” We will continue to develop original products that incorporate customer feedback and staple items that will not be marked down throughout the year to improve profitability.



Saishokukenbi jacket of Sofuol

## Future initiatives

For the Original Merchandising Business, we will expand its retail area by adding new items and categories and contribute to improving company-wide profitability by increasing sales share. As new growth opportunities, we will also open new shops in other commercial facilities. In September 2013, our original select shop of general merchandise “Woop Woop!” was opened in Ikebukuro Parco and Fukuoka Parco. We will continue to develop retail space with a product mix that balances profitability with originality so that it will become a business model feasible outside the company.



Woop Woop!, Matsuzakaya Nagoya store