

Use the Market Hypothesis for Change



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Digitization of touch points

Department stores are pressed to change. I think one of the important themes for this purpose is the digitization of customer touch points centering on app. Before COVID-19, we can say we had customer touch points almost only in physical stores. However, by digitizing touch points, we certainly started to see positive results during the past one year.

By digitizing touch points, we can obtain data on online customer behavior such as, for example, how

many minutes or seconds customers view our owned media and whether they click links.

We did not have such an approach in the past. We did not know whether customers read our letters. We had only customer purchase data obtained when customers visit our stores and buy products. By digitizing touch points, the precision of the data we can obtain will dramatically improve. We can obtain pre-purchase data and predict potential customer needs such as what tangible/intangible goods a customer is likely to be interested in.

I think online players are doing this as a matter of course. However, through the digital shift of our touch points, it came in sight at last.

I think this is something revolutionary. We conducted CRM using only POS data for 20 and some years. It may have helped develop customers but did not help deeply cultivate markets. It is not only the level that it is good to connect with customers 24/7. I think we will have to make more use of them.

Dramatically advanced *gaisho* activities

The digitization of touch points has produced an effect in the closed website for *gaisho* customers “connaissligne.” Though we have already known the potential of *connaissligne*, it is far beyond our imagination. For example, even if we find very valuable products in a market, they may be available in only limited quantities. However, currently, when we find valuable content, we can post it on *connaissligne* promptly. People who want it can order it. If the number of orders exceeds the limited number available, we will sell it by lot. Such sales activities, which took several weeks in an analog way, are completed in about one whole day and night using this process.

We aim to grow *gaisho* sales to the level of ¥200.0 billion in the near future. To this end, we did not begin with discussing what organization structure we will create but we are carefully building based on the market ideas of “to whom,” “what,” and “how” we will sell. Customer statuses are classified into eight, and *gaisho* customers into two, from customer data. We set a goal for each category such as luxury and art. Touch points include human ones including physical stores and *gaisho* staff and online ones.

I think our job is “matching between value and customers,” that is to say, to offer valuable content to organized customers. Its platforms or channels include physical stores, *gaisho*, and online.

Content first

When online channels are in place and customer database has evolved, it is content that makes a difference. I feel we can work well if we have absolutely outstanding procurement or development capability in the industry.

Currently I think we are establishing an advantage particularly in the world of “art.” Its sales level is still around ¥10.0 billion. However, as it is obvious

that its market will further expand, we would like to gain top share while we can. Contemporary art is sometimes critically said to be like a bubble. However, the more mature the country is, the bigger cultural investment and markets become. So I am not so much concerned about it.

This year, we launched an OMO website ARToVILLA. And recently, we held an industry’s first event D-art, ART in collaboration with Art Fair Tokyo. We also sold art works displayed in Parco’s exhibition to Daimaru and Matsuzakaya’s *gaisho* customers.

In terms of recruitment, I realize our unique art initiatives are one of the motivations for applying for our company. If we do something remarkably interesting, we can attract people. If excellent people get together, we can do something more interesting and attract more people. And customers get involved. I feel such a positive cycle is being created.

The Department Store can still leverage its strength in some categories. For art, it has an ability to develop products and it also has new media ARToVILLA and customers are being properly organized. ARToVILLA was launched by a young employee in his mid-30s and he says he would like to pursue scalability. I think a professional team is being created centering on content.

Embody the market hypothesis in Nagoya

Currently I feel strongly that we need to face markets more squarely and create a hypothesis properly. Now is the time for all stores and the entire company to more confront markets considering what will happen to them and also their regional characteristics.

The “mass market” and the “middle class” are often discussed as similar things. However, I think they are a little different. If we focus on the areas in which department stores have an advantage, the share of premium categories such as luxury will increase. In fact, the middle-class customers also

buy them. Hokkaido fair, basement food floors called depachika, and cosmetics gain strong popularity among them. In these areas, young customers are also increasing. The problem is that it was revealed that the middle-class women stopped buying clothing in department stores. All the middle-class customers do not say there is nothing to buy in department stores.

It is obvious that the women’s clothing market is segmentalized. If our company has some fashion connoisseurs and we can communicate our thoughts to suppliers and take the lead in inviting rare brands, I think currently struggling women’s clothing is quite likely to gain momentum in proper dimensions. I actually feel a hypothesis for our desirable shape is created by facing market changes seriously.

In the Matsuzakaya Nagoya store project, we will conduct a large-scale renovation of its multiple floors based on the hypothesis. Starting with the Nagoya store, I think we will be able to give a concrete shape to what we think fashion is like. Luxury zones are planned to open successively, starting in late 2023. And in 2024 and beyond, we will finally begin to do what we did not do because we did not know their markets to give a concrete shape to our thought. By making three touch points including physical stores, *gaisho*, and online perform well, we would like to create new department stores that lead to a better future.