

Department Store Business
Interview with Officer in Charge

Aspiring to enhance our platform towards being a “future department store”

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Acting as a bridge since the launch of the department store

Acting as a bridge for customers' needs and goods from our suppliers with our platform is a mission that we have always addressed since embarking on the department store business. It is why we are here and the true joy of doing this business.

Our strength lies in dealing with a wide variety of goods on this platform and proposing the best style of clothing, eating and living experiences for customers based on information gained through our stylists' close communication with customers while serving them.

However, markets change incessantly, customers' preferences vary significantly and a vast array of goods from suppliers exists. It is difficult to put all of them on the platform. Therefore, it is necessary to select items using a filter unique to Isetan Mitsukoshi.

In addition, our conventional platform consisted solely of department stores in the physical world. In the future, it will extend virtually. It will be tremendously different from the past. The conventional process flow that we have taken for granted, that is, purchasing, advertising, serving customers and sales, will also change as the virtual space grows. The changes we have undergone are merely derived from the path that we have taken. In the future, it seems that we will simultaneously be following totally different paths and we do not know how many. Our knowledge and experience will be applicable to changes in the extension of conventional operations, but they cannot be used for new paths. In this sense, newcomers and experienced staff are on the same starting line. Everyone has a chance to show off their abilities. In the

future, we need to be flexible and courageously take steps toward the unknown.

Learning about customers and markets linked to the platform

We have a duty to provide goods and experiences from suppliers that meet customers' needs to build a structured platform. For this purpose, it is vital to fully learn about customers, to stay updated on the markets and to carefully monitor their changes. Trends are changing constantly. This year's trends differ from last year. For example, when the traditional style was at its zenith, those familiar with it were highly respected. After this style faded and when designers' and characters' brands (so-called “DC brands”) were popular, they would no longer be respected unless they changed.

We must decipher the changes of customers at the center of the market and shifts in their lifestyles and, if necessary, dissect the goods and services we propose in a moment and reorganize them into new groups to construct a platform that is best suited to the new market. For instance, the sales floor for specially selected items traditionally dealt with luxury brands that consisted of clothing, shoes, bags and accessories. From all of these items, handbags alone were picked up and assorted on the first floor of Isetan Shinjuku Store. We saw that customers wanted to compare different brands and we monitored market changes, which allowed us to attain the greatest success on a new platform.

Our current departments feature different groups: for



example, items for women, items for men, items for different age groups, items with different purposes such as clothing, eating and living and items for formal or casual situations. In the future, a new item group may be created for men and women to enjoy shopping together.

Working with suppliers as a bridge between goods or experiences and customers

To facilitate the operation of a platform, it is significant not only to watch the changes of customers and markets but also to build good relationships with suppliers. They are in charge of the output, or creating products and supplying them to markets. When they work hand in hand with us, aware of the overall platform, to exchange high-quality information and communication, they can create new products that are actually sought by customers and attain sales growth. That helps build a beneficial relationship for both suppliers and us. When linking suppliers with the platform, it is wrong to think that customers would like products because we like them. We must put what they actually want on the platform. In addition, we need to search for goods and services that customers will find admirable, going beyond a mere lineup. For the purpose of sharpening our eyes for beauty and discerning between good and bad, or having a discerning eye, it is significant to accumulate our experience while communicating daily with suppliers. When we observe a large quantity of things with attention to detail, we will gradually see what we could not in the past. Experience will help us gain quantitative and objective insights. We

will become able to rationally explain what we merely felt was good.

Suppose that you visited a large trade show for handbags and persistently observed tens of thousands of samples—you would discover the trends of the season and identify promising products.

It is vital to develop your sense of beauty to enhance your judgment. Your sense of beauty is different from that of others, and backgrounds and rules may be involved. It is also imperative to study and listen to experts. I am convinced that the ability to tell if manufacturing is carried out with consideration for sustainability will be a significant skill in the future.

A future department store bridges e-commerce and physical commerce

In the three-year plan for FY2019 to FY2021 announced last November, we declared that we will aim to establish a “future department store,” which will bridge e-commerce and physical commerce using information technologies and the potential for stores and human strengths. In the future, we will work on creating new value that is possible only by the Isetan Mitsukoshi Group through evolving the platform, our strength. To achieve this, we are currently carrying out a digital transformation as our top priority.

The “future department store” has no boundaries between e-commerce and physical stores. Its seamlessness will increase convenience for customers. In the future, we will actively use digital technologies in addition to

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conventional analog approaches to observe changes in customers and markets more effectively. Unlike in the past where stylists had been searching for information, the use of digital technologies will make it easy to collect information about goods and services around the world. Conventionally, the know-how for serving customers had been accumulated by and depended on individual stylists' experience, but if this can be stored as digital data, it can be used as a shared strength. We already commenced customer services based on digital data at Mitsukoshi Nihombashi Main Store last fall, ahead of any other store.

The digital shift will also bring about a change in the approach to presentation. Traditionally, visual presentation was intended to attract consumers and stimulate their desire to make a purchase.

With this objective as a source of motivation, related personnel worked hard to accumulate a variety of knowledge and skills. The future shift to seamless commerce will require visual presentation on smartphones and computer screens. Visual presentation is very important in real stores. Similarly, it will be necessary to accumulate knowledge and techniques for producing webpages that grab online users' attention among many different pages and that stimulate their desire to purchase. At the Isetan Mitsukoshi Group, we will independently build a mechanism for it.

Basically, the same idea goes for department stores located in provincial areas. They are so small that they cannot display all the items that are dealt with at Isetan Shinjuku Store or Mitsukoshi Nihombashi Main Store. It is important to compensate for this weakness using digital technologies. Serving customers at the Isetan Mitsukoshi Group's approximately 200 contact points, including 24 stores in Japan, 34 overseas, satellite shops, ISETAN MiRROR stores, and ISETAN SALONE will provide the greatest advantage.

Discerning and coordination skills to optimally act as a bridge between customers and goods or experiences

No matter how far digital technologies advance and online business grows, goods that do not sell well at real stores do not sell well online, and vice versa. Irrespective of advancements in digitalization, we should fully understand customers and merchandise and communicate with customers on different platforms, which will not change.

Of course, we will need to read market reports and study them. However, the skills of understanding the atmosphere and intuition are also key elements.

The way to accumulate them is to keep watching goods and services with interest, instead of aimlessly looking at them. The longer you practice this, the better your discerning eye will become.



We will train personnel to be more discerning and gain coordination skills to act as a bridge between customers and goods or services provided by suppliers.

As the platform changes dramatically in the future, the methods of shopping and serving customers will be diversified at an unprecedented level. For example, customers may choose the goods that they want from the items we send to them, or we may communicate with customers using chatting tools. In addition to a discerning eye, coordination capacity will be required. It is the ability to make an optimal combination between customers and goods or experiences.

To gain this discerning eye and coordination capacity, it is essential to learn about a range of information right in front of you and create opportunities to broaden your perspective. For our personnel development, we are emphasizing job rotations to provide experience with different duties such as sales at actual stores, back office operations, actual store operations and online stores, instead having the same experience in the same place for years. We also organize two-year overseas training for young employees. Working overseas helps trainees to significantly change their mindsets, points of view and perception of others. It makes them very flexible and encourages them to grow. Not only the company but each employee must willfully work to grow. For instance, when you intensively study in a specific area to master something, you will learn how to grasp the way to view things and key points and will find this skill helpful also in later of your life.

Evolution of platform towards a “future department store”

In line with the diversification in terms of styles of retail businesses, the locations for consumers’ shopping are spread out, such as shopping centers, outlet stores and online stores. Accordingly, consumers’ motivation to shop at department stores is weakening.

We will make branding efforts to place the Isetan Mitsukoshi Group in a high position in the market. Apart from serving customers, we have many things to learn,

including displays, signage and other environmental matters, merchandise and event promotion. Aiming to be a first-class business has nearly the same meaning as having a sophisticated sense of beauty. There are many first-class stores that has interactions with customers. You can find them in Japan and also in overseas such as long-standing brands and hotel services from which you can learn a lot.

I believe that our success depends on our ability to produce, at a high level, goods and experiences only available from us and opportunities to learn about those goods. We must turn our eyes to the outside of department stores to learn and practice more. It is said that the higher the class of something, the more difficult it is to standardize the process for it. Some argue that we should call customers by name, but some customers do not want that. Among the customers looking at goods on the shelf, some want to be talked to by shop assistants, while others want to browse freely. The service sought by a customer varies depending on the purpose of shopping and on the product that the customer is looking for. Gaining insight into what customers want depends heavily on personal skills, which cannot be developed without intentionally gaining experience.

In the 10-year period since the launch of the Isetan Mitsukoshi Group, circumstances in society have changed considerably and the speed of change will be higher and higher. A “future department store” will see dramatic platform development, for example, into stores, e-commerce and others according to the changes in circumstances. Meanwhile, since our founding we have continued to act as a bridge between customers and goods or services from suppliers. This essential part of the business will remain intact.

We regard this major change as a good opportunity to create a better cycle while upgrading platforms that we have built as assets.