Key Strategies: CMO's Message: "CRM Strategy Connecting with Individual Customers"

CMO's Message

The shift from mass to personal marketing is the basis of everything

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The Isetan Mitsukoshi Group is promoting a shift from mass to personal marketing in its Medium-Term Management Plan.

In 1673, when we opened Echigoya, a kimono store, we were operating a business targeting individual customers. Years later, with the expansion of our business domains in line with economic development, we made a strategic shift to a mass marketing.

Our business model of purchasing and selling large quantities of in-demand products, something which is common to mass marketing, matched the external environment of the time, when goods were in short supply, and we succeeded in achieving rapid growth as a retailer. However, following the collapse of the bubble economy, each customer's values and purchasing behavior became more diverse, and business founded on mass marketing gradually became untenable.

In 2020, the Group suffered a consolidated loss due to the effects of the COVID-19 pandemic. This triggered our decision to return to our roots as a business based on personal marketing through our "CRM strategy connecting with individual customers."

The "CRM strategy connecting with individual customers" is a strategy to promote the provision of personalized customer experiences by offering unique proposals that meet the different needs of individual customers. In addition to existing human capabilities (i.e., analog capabilities), we believe it is important to maximize the use of digital capabilities. Below are some examples of how we use both of these capabilities.

First, I will mention digital capabilities. In February 2022, in addition to MICARD, which is a conventional identification tool, the Mitsukoshi Isetan app, a new digital tool that is more closely linked to customers' lifestyles, was expanded to stores across Japan.

Even customers who were hesitant to join MICARD due to complicated procedures at the time of joining and the cost of the annual membership fee have downloaded the app. As a result, we have succeeded in increasing the

number of identified customers to approximately 5.9 million (up 800,000 from the previous year) as of March 31, 2023.

Next, I will mention human capabilities. As part of our reform of out-of-store (individual) sales, we effectively utilized our human resources mainly for the expansion of proposals for out-of-store customers. Specifically, we introduced "out-of-store buyers" with the aim of responding to each customer's needs in detail, and procured merchandise from outside department stores, such as imported cars and real estate, by making full use of our extensive network of unique contacts. As such, we have successfully increased customer satisfaction as well as significantly raised the amount of purchase per customer for out-of-store customers.

This series of initiatives paid off, resulting in operating income in the department store business in FY2022 that was much higher than originally planned.

This fiscal year, we will continue to maximize our use of digital and human capabilities to further expand the number of identified customers. In addition, we will also launch full-scale CRM activities targeting general customers other than out-of-store customers.

So far, I have talked about department stores, but the concept of a shift from mass to personal marketing is not limited to application in the department store business. Department store consumption accounts for only a fraction of Japan's total consumer spending. Or, to put it another way, we currently have only a very limited scope of significance in the eyes of our customers.

In the future, as each of us connects with, deepens understanding of, and moves the hearts of individual customers, we will create new points of contact with customers, and as a result, our Group's raison d'être (i.e., business domains) from the customer's perspective will continue to expand.

Through the shift from mass to personal marketing, we will build the next-generation business model of the Isetan Mitsukoshi Group.

"CRM Strategy Connecting with Individual Customers"

As part of our "CRM strategy connecting with individual customers," we intend to build systems that connect with individual customers who support our "High sensitivity, fine quality" strategy.

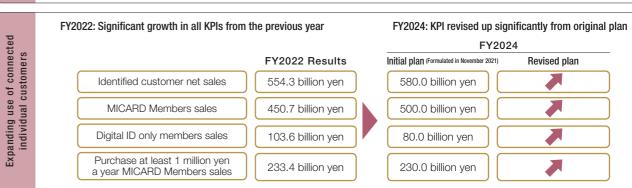
In FY2022, the first year of the Medium-Term Management Plan, both the number of identified customers (MICARD members and digital members) and the amount of spending grew steadily, and we were able to achieve the plan in relation to all customer KPIs (indicators). In particular, the Isetan Shinjuku and Mitsukoshi Nihombashi main stores increased the share of sales from identified customers to 70% of total sales, the share of sales from customers who spend more than 1 million yen per year increased from 40% to 50% compared to FY2019, prior to the COVID-19 pandemic, and the share of sales from customers who spend more than 10 million yen per year nearly doubled.

In FY2023, the second year of the plan, by further strengthening of department store CRM, we will focus on initiatives that will lead to the creation of new business opportunities, such as group-level CRM, development of settlement infrastructure, and inbound strategy.

Direction

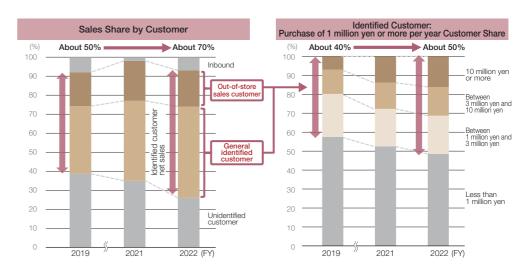
Further expand identified customer platform by strengthening department store CRM and acquiring new members
 →Utilize as a platform for "creating new business opportunities"





- •Our "High sensitivity, fine quality" strategy and "CRM strategy connecting with individual customers" increased our share of identified customer sales to approximately 70%.

 *Isetan Shinjuku Main Store and Mitsukoshi Nihombashi Main Store
- Among identified customers, customers purchasing 1 million yen or more a year increased their share of sales to about 50%, deepening their personal ties with customers



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