

# First Crisis and Evolution Facing Supermarkets in 70 years

## - Highest Prices in 40 Years -

The distribution industry, including supermarkets, is a sector with social significance and is indispensable for people's day-to-day lives and local economies. It contributed to preventing the disruption of supply flows of day-to-day commodities even during the turmoil of the COVID-19 pandemic.

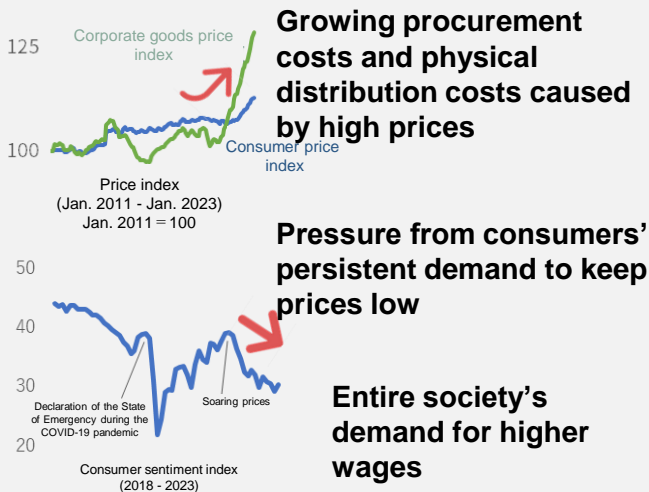
14% of Japan's GDP

16% of Japan's working population

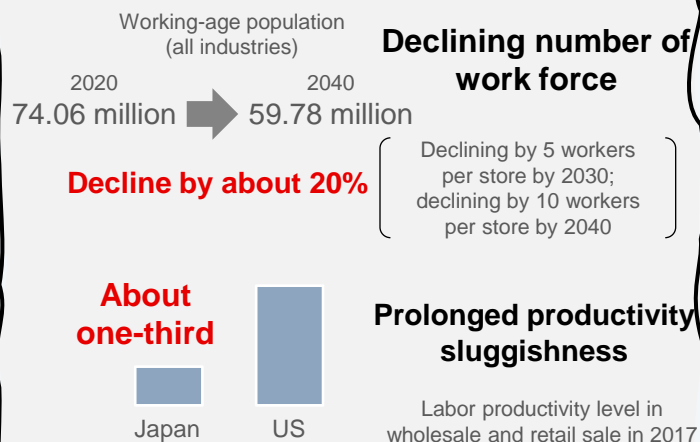
The distribution industry has been strongly bolstered by on-site labor and responsiveness in the industry. Now, it is facing **resource (\*) constraints**.

(\*) Note: The term "resource" refers to capital and resources as a whole which are necessary for business management.

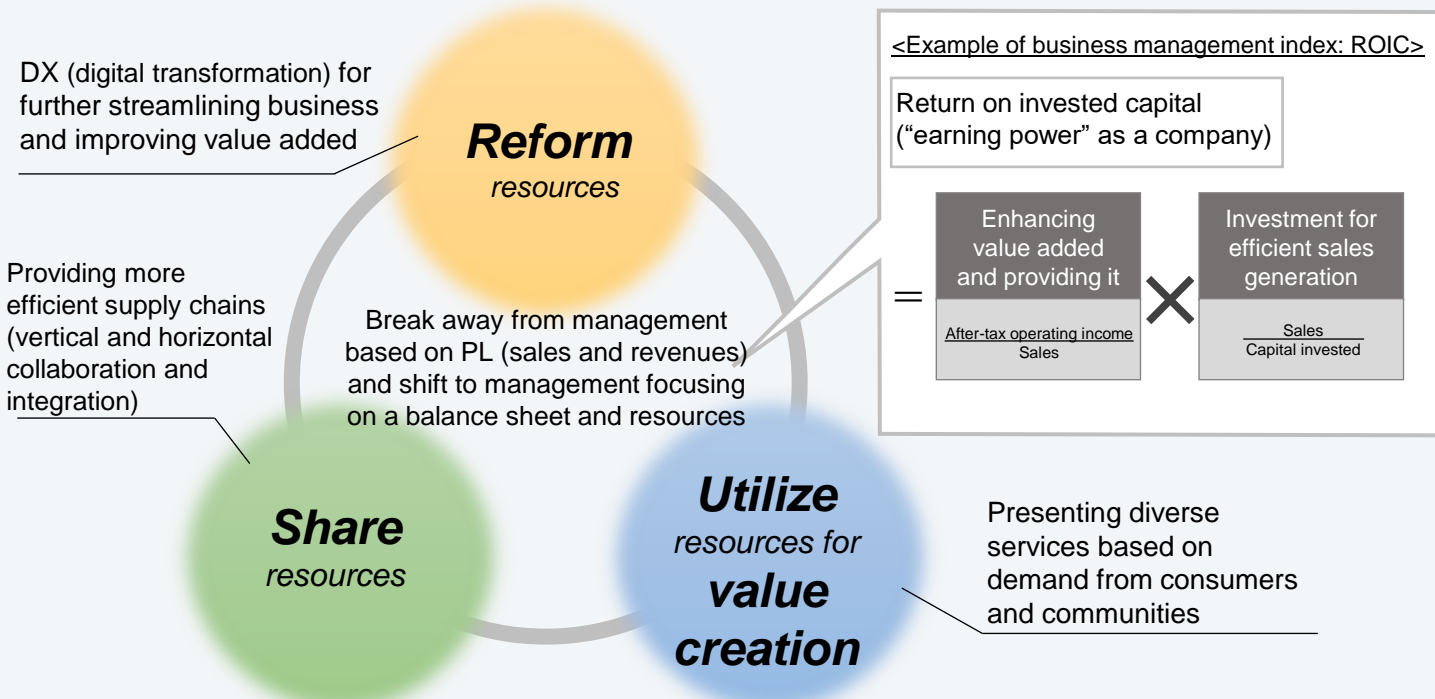
Facing three aspects of pressure amid a lack of goods inflation



Can the industry secure necessary labor and attract human resources amid a lack of labor?



The distribution industry needs to redefine its conventional approaches to using and holding their resources, taking advantage of the current resource constraints.



## 1. Reform resources

DX for further streamlining and improving value added  
- Change resources through DX and reform business practices-

- A day in the life of a retail store (example) -

Troubles and problems they face in business

Expected effects brought by DX

8:00 Sales promotion



✓ Distributing fliers does not work (no ideas if it really works)

✓ Distribution of **digital fliers and coupons** tailored to individual consumers

9:00 Arranging products on shelves



✓ Replacing price tags are tough work.

✓ Saving time for replacing price tags using **e-shelf tags**

13:00 Customer services and operating cash registers



✓ Cash registers are crowded due to customer service and payment.

✓ Saving time for customer services using an online customer service function

16:00 Order taking

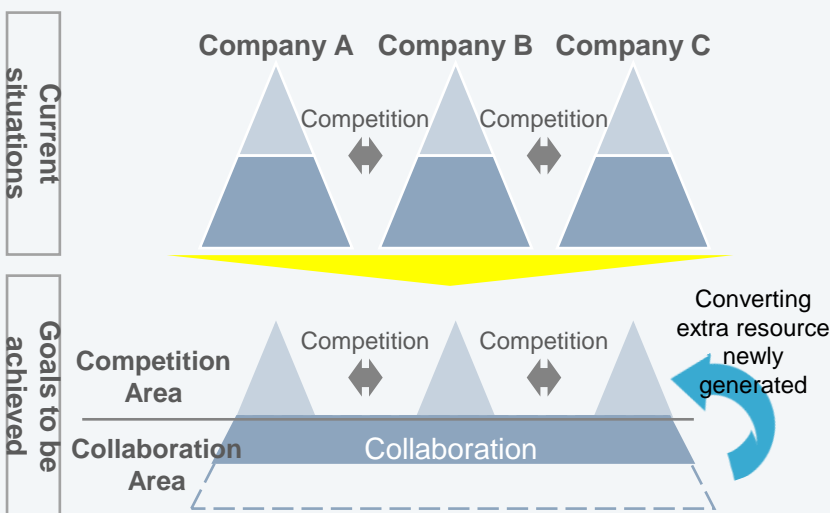


✓ Excess and deficient order placement not only increases costs but also takes time.

✓ **Making payment smoother** using smart shopping carts and smartphone POS  
✓ Efficiently placing orders for necessary volumes using a system for **demand forecasting and automatic ordering**

## 2. Share resources

Providing more efficient supply chains  
- vertical and horizontal collaboration and integration of resources -



Many players in Japan's complex distribution structures  
⇒ This situation makes it difficult to achieve total business optimization, incurs a heavy workload, increases costs (overburdening, waste and irregularity in the supply chain).

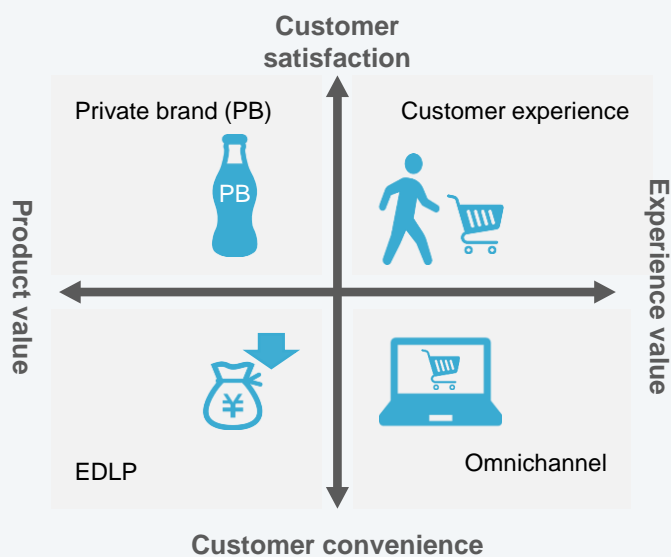
Examples of leading efforts for addressing distribution crises

- ✓ Relaxing delivery deadlines (one-half rule)
- ✓ Securing sufficient lead time for order placement and product delivery
- ✓ Standardizing store operations, such as warehouse work, product arrangement and display
- ✓ Digitizing vouchers and streamlining logistics information
- ✓ Making inventory management highly accurate
- ✓ Reducing stand-by time and delivery frequency
- ✓ Joint transportation and distribution and relay transportation

## 3. Utilize resources for value creation

Presenting diverse services based on the demand of consumers and communities  
- Resources for value creation and problem solution -

Review the conventional use of limited resources and recreate the value of appropriately monetized physical stores



Examples of measures for value creation

- ✓ Developing and manufacturing environmentally friendly products
- ✓ Developing products through co-creation with users
- ✓ Presenting unexpected proposals for new products / proposals for personalized products tailored to individuals
- ✓ Providing functions and roles, e.g., an exchange base for local residents
- ✓ Achieving low prices by reducing sales and management costs taking advantage of AI-based automatic ordering, use of robots, etc.
- ✓ Diversifying sales channels, including e-commerce and unmanned stores
- ✓ Analyzing customers by integrally controlling online and offline information on customers