

Message from the Head of PB Business

## Establishing a unique position in the market by strengthening PBs and OEM, and contributing to the achievement of the medium-to-long term management plan

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### Building PPIH's unique brand by avoiding homogeneity with other companies and mediocrity

Our original product brand JONETZ was launched in 2009 with the concept of “giving shape to customers’ voices.” But before we knew it, the concept had become a mere formality and we found ourselves mass producing ordinary products that were not unique. Furthermore, challenges became clear, including a recognition survey that revealed that the brand’s recognition rate was extremely low at about 25% to 26%, and that the logo was perceived as a “sign of cheap products.” We decided that we needed to break away from homogeneity with other companies by revamping the brand with a concept that is unique to our company, and starting a rebranding and overhaul. This was in the summer of 2020.

We set February 2021 as the overhaul period, and began by asking the fundamental question, “What is Don Quijote (PPIH) in the first place?” After 10 months of internal discussions, the answer we finally reached was to return to the origin that is “The Source,” our corporate principles. We needed to make JONETZ a brand that embodies “The Customer Matters Most” and the “essence of Don Quijote (PPIH).” In other words, we decided to shift the concept to being a “people’s brand,” meaning a brand that creates amazing news (Odoroki News) with customers. For this reason, JONETZ incorporates many elements that are unique to Don Quijote (PPIH), which faithfully implements the philosophy of “The Source.”

### Thoroughly listening to the real voices of customers

Aiming to be a customer-facing brand, we have established the special website “Do-Over Palace” to gather real complaints and requests from customers. We set up monthly feedback meetings, and the do-over requests we receive are actively utilized in product development (including improvement and refinement). We believe this is an effort befitting our company, which embodies the philosophy of “The Customer Matters Most.”

In addition, in realizing our philosophy of “The Customer Matters Most,” we take customer feedback seriously, not only regarding products, but also regarding prices and the store experience. In order to further embody the concept to “be the most convenient store for customers” that has supported PPIH’s growth to this point, we launched the new function “Maji-Voice” as an evolution of “Do-Over Palace” in November 2023. In addition to the implementation of new content, we established an internal “Maji-Voice Realisation Committee” to reflect customer feedback in the improvement of stores and products.

### News conferences

In order to break free from the mediocrity that JONETZ had fallen into, and to continue creating appealing shop floors that always have something new, we declared that we would “never create products without surprising news.” We use the term “news” to refer to the long product names on packaging, and set up “news conferences” to determine whether products have “news” that will move the hearts of customers. Of course, we also are careful about pricing given the brand name of JONETZ (which means “passionate price” in Japanese), but just being “cheap” is not enough

to be newsworthy. Rather, we emphasize the “reasonable prices” created by the gap between the actual sales price and the value conveyed by the “news” written on the packaging.

In addition, in order to ensure that discussions at the “news conferences” are not just conducted by specialists in the products (the people in charge), we have a rule that the conferences must also be attended by a person in charge of a different category. We try to prevent discussions from becoming filled with self-satisfaction and to facilitate the emergence of new ideas.

### Delegation of authority to the frontlines

One of the unique features of our PBs is that the authority for pricing and introduction is held by the frontline employees in the stores. In contrast to PB distribution at general supermarkets and mass merchandisers, where the frontlines are instructed to sell products ordered by the head office and product headquarters, our company embodies the philosophy of “The Customer Matters Most” by having employees who are closest to the customers (meaning our frontlines) roll out products after having discussions and making decisions. This “delegation of authority” to the frontlines based on our philosophy of “The Customer Matters Most” is also carried out in product development, with decisions being made together with frontline leaders who are closer to customers based on the idea that authority over PBs is based on customers, not the development side.

“Delegation of authority” has taken root in our organization as part of our corporate culture. Because the frontlines have all the authority, we have created a structure in which those frontlines take responsibility, choose products, and work their hardest to sell them. This is the exact opposite of what is “common sense” in the retail industry, and we believe that here too, we are moving forward on our own unique path based on “The Source.”

### Results are becoming evident in our branding, where internal promotions are key

With regard to the progress in strengthening our PBs and OEM, the first phase is to focus on the branding and promotion of JONETZ. Because we have detected certain results in terms of branding, we are currently in the second phase of strengthening efforts to further improve quality and reduce costs.

In the beginning, sales of JONETZ were not good, and one-off promotions did not produce results. Because of this, we have shifted our direction to maximizing motivation to make sales among our frontline employees, and have focused on building internal sales momentum through internal promotions such as publication of internal newsletters and social gatherings. The TV commercial broadcast from December 2022 was intended to further raise awareness of JONETZ in the market, but I believe that it ultimately also served as a major catalyst for building internal momentum by making employees think they needed to sell the products because a commercial had been released.

The branding of JONETZ, the accompanying broadcast of the TV commercial, and the TV program that drew attention

to the brand have also had a positive effect on the attitude of employees toward JONETZ. Looking back on the first phase, I realize once again the importance of branding.

In addition, our most recent initiative has been to open the new business format DOMISE Shibuya Dogenzaka-dori Dodo Store in Shibuya as the first JONETZ flagship store in August 2023. This store is conveniently located in an urban area and aims to contribute to sales and gross profit as a kind of billboard and base for communicating JONETZ information. We have also begun sales of Henn Ai Meshi (A dish full of devotion), a new brand of bento box meals and side dishes, and aim to use this as an opportunity to capture and expand demand for ready-made meals by strengthening PBs in the deli category (especially deli products produced and packed at another location).

### Promotion of in-progress initiatives to improve the supply chain and product quality and expand direct trade transactions

We have begun to improve our infrastructure environment by reviewing our product development process, including factories and raw materials, strengthening and expanding direct trade products, maximizing economies of scale through factory unification, and improving logistics efficiency, and are stepping up efforts to further improve product quality and contain costs. We are working to achieve surprisingly low prices in this era of inflation, while at the same time seeking to earn real profits.

We will continue to aim to expand sales and customers and secure profits by demonstrating the diversity of our merchandizing portfolio based on our philosophy of “The Customer Matters Most.” We look forward to your continued support.

