

Uniqlo Billion Dollar Business Strategies



Uniqlo has achieved sales revenues close to a whopping \$13 billion. It is the fourth-largest specialty-apparel store in the world alongside other retail giants such as Zara, H&M and Gap. What key strategies have contributed to this Asian brand's rising success and what can we learn from them?

Uniqlo has come a long way from its early days of operating as a substation chain in Japan. Over a span of two decades, the company has achieved phenomenal growth, sealing its status as a global fashion behemoth. With over 1,400 stores in 14 markets across the world, Uniqlo has navigated its way through challenges such as Japan's ailing economy and shrinking population, as well as unsuccessful forays into global markets. As the fourth-largest fashion retailer in the world, the company currently ranks alongside other global retail giants such as Gap, H&M and Zara.

How did Uniqlo achieve such transformative and rapid growth, evolving from a local retail chain to a global fashion market force? Let's take a closer look.

1. Making Operations Oishii*

How does Uniqlo manage to replenish its stocks at lightning speed, often in a matter of weeks or days?

The answer lies in the company's strategic, low-cost operational strategy. By being the first to establish the SPA (Specialty store retailer of Private label Apparel) manufacturer-retailer model in Japan, Uniqlo possesses control over its product planning, design, manufacturing and distribution processes. A link is formed between its stores and suppliers - products that are sold in the store are directly translated into manufacturing orders. This process dramatically reduces a lengthy six- or nine-month long planning cycle, helping the company to gain agility as it manages to **replenish stock swiftly**.

*Oishii = Delicious

Mass Production Model: Massive cost savings

The adoption of a mass production model allows Uniqlo to achieve significant cost savings. Unlike other fashion retailers, the company does not offer a diverse variety of clothing following the latest runway trends. Instead, it sells a narrow selection of high-quality basics, such as jeans, undergarments, jackets and polo shirts in a plethora of colours.



This strategy creates little variation to merchandise plans, as production does not depend on an ever-changing series of fashion fads. Often, in the retail industry, there is a seasonality to products that are manufactured and sold. This results in a similar seasonality in the operations of the factories. In certain periods during the year, operations run at full capacity, while at other periods, production dips.

In deviating from manufacturing trendy pieces, Uniqlo produces garments at a steady rate throughout the year, smoothening out the seasonality of production. As such, the factories operate at full capacity all year round, creating greater efficiencies.

Mass production also allows Uniqlo to book factory capacity in advance, and to purchase all raw materials that each individual supplier possesses. These factors enable the company to forge lower-priced deals with a stable source of suppliers.

Inventory Control: Logistics Matter

Uniqlo keeps an eagle eye on its store inventory. The **Inventory Control** department observes the sales and stock each week, sending out inventory and new products to meet product orders. Adjustments are made to promotional and production plans along with inventory levels by monitoring insights from weekly and monthly sales data.

To ensure optimal inventory levels, the inventory, marketing and merchandising teams get together, at the end of each season, to effectively plan the timing of product markdowns. This ensures that stock is sold out completely. No more **dead stock**.



R&D: Fabric over Fashion

While fellow-fashion retailers, such as Zara and H&M are driven by latest trends, Uniqlo's focus when developing new lines is predominantly on quality and durability of the fabric. "What's different about Uniqlo is that they have chosen **fabrics, rather than fashion, as the area where they want to excel**," says Laura Salvia, an analyst specialising in retail at Bernstein Research.

Product concept meetings begin a year from the planned product launch date. Designers and product teams develop new fabrics, before studying up and creating fashion trends. Once a new fabric has been developed, they work on designs that will best suit the fabric.

The focus is always on developing a range of innovative, high quality fabrics, such as AIRM, a breathable material that is "light as air and refreshingly comfortable", and Heattech, a thin, lightweight fabric with excellent heat insulation properties.

2. The Business of Branding Collaborations: Rolling with the Big Shots

How can a retailer-based item as a company that produces stylish and fashionable pieces, without producing items that follow the latest runway trends?

Uniqlo's answer to this question is to tap on the star power of renowned individuals and influencers. The company forms brand collaborations with the biggest names in a variety of industries, partnering up with musical talent Pharrell Williams, fashion editor Carine Roitfeld and Irish designer Orla Kiely to produce limited edition collections. This strategy helped the company to increase its product sales, and to create the image that it is the store to go to when consumers seek trendy and chic items that also serve well as staples.



Sponsorships: Deeper Engagements

Uniqlo has ventured into sponsorship deals with a variety of organisations, such as the International Tennis Federation, Red Sox Foundation and the Exploratorium science museum. The company sponsors certain initiatives undertaken by these organisations, such as free access days to the Exploratorium science museum, and donation programs for the Red Sox Scholars.

Apart from achieving growth objectives such as driving greater store traffic and brand awareness, the sponsorship deals also allow Uniqlo to better engage their employees, show the company's involvement in CSR initiatives and to strike a deeper chord with the local community.

"Our partnerships are about getting into local communities where our customers live and shop. We're not interested in writing a check to see our name on a donor list," says Jean Shin, Director of CSR at Uniqlo USA.

3. The Growth Game Partnerships: It's a match!

Companies eyeing opportunities in China's burgeoning eCommerce market can take a leaf out of Uniqlo's books, and attempt to strike a partnership with a reputable online retailer.

In 2012, Uniqlo opened a branded store on Tmall.com, one of Alibaba's two big China online marketplaces. When a consumer wants to purchase a product from Uniqlo.cn - Uniqlo's eCommerce store in China, the buyer is redirected to a checkout page on Tmall.com.

This is a strategic move that offers Uniqlo much potential for rapid growth in China. Chinese online shoppers stand to gain from the convenience of shopping from the comfort of their homes with a secure and seamless online purchasing experience. It enables Uniqlo to reach out to the expansive Chinese online consumer market, and to convert a sizable number of Tmall.com shoppers into new Uniqlo consumers.

Educating Customers: Very In (store)

Uniqlo takes its in-store experiences very seriously. In planning and designing all aspects related to its in-store experiences, the company adopts the Japanese concept of *kaizen*, which translates to mean a continuous search for perfection.

Kimi Iitaka, General Manager at Uniqlo's Tokyo outlet, sums up the company's dedication towards creating excellent in-store experiences: "All companies have rules and guidebooks. But Uniqlo is on another level entirely. There's just a sense of urgency about everything in this place!"

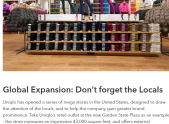
She's right and this can be seen from the practices carried out at Uniqlo stores around the world. Each and every activity, ranging from folding techniques for the clothes, to how credit cards are returned, are closely monitored, recorded and analysed. Customer advisors also practice repeating Uniqlo's "six standard phrases" before the start of the day's operations in a bid to perfect their delivery of these phrases and associate them smoothly during the customer's shopping experience.

- "Hello, my name is ____, how are you today?"
- "Did you find everything you were looking for?" (between floors)
- "Let me know if you need anything. My name is ____."
- "Thank you for waiting."
- "Did you find everything you were looking for?" (at checkout)
- "Good bye, we hope to see you again soon."

To maintain its excellent level of in-store experience and service, heavy investments have been made to train Uniqlo's retail staff. A Uniqlo University is currently being built in Tokyo, with the aim of providing training for 1,500 new store managers each year.

Interestingly, education is not limited to Uniqlo's staff. A range of in-store technology has been implemented in the outlets, serving as a tool for customers to understand more about the company's products. Electronic monitors are placed around the stores, playing media that explains the unique attributes of different kinds of fabrics.

Larry Meyer, CEO of Uniqlo, states: "We feel the customer deserves to understand it like this, and it's effective to explain products."



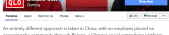
Global Expansion: Don't forget the Locals

Uniqlo has opened a series of mega stores in the United States, designed to draw the attention of the locals, and to help the company gain greater brand prominence. Take Uniqlo's retail outlet at the new Gordon State Plaza as an example - the store measures an impressive 43,000 square feet, and offers external exposure, with Uniqlo's signs clearly visible from a nearby highway, as well as the mall's parking lot.

These mega stores may have been a vital aspect of the company's success in breaking into the U.S. market, but the management understands that **localization of its growth strategies** is key, in order to achieve the company's planned targets.

"We need to go where the customer is, and in the United States, malls are the premier location where Americans shop," Yasuoichi Kiyogoku, chief operating officer for Uniqlo's United States division states. With this in mind, the company is set to expand through setting up smaller stores within malls throughout American cities, as well as increasing its reach through the company's eCommerce site.

Localization is also applied to the social media marketing strategies implemented by the company. Uniqlo's eCommerce stores contain a link to social media sites targeted at the local community. Consumer engagement is also carried out over a selected range of channels that appeal to the locals in a particular country. For example, Facebook, Twitter and Google+ accounts are used in the US and UK markets, while Facebook and Twitter are used in France.



An entirely different approach is taken in China, with an emphasis placed on engaging the community through Weibo, a Chinese social networking platform.

To sum it all up....

A combination of operations, branding and growth strategies has propelled Uniqlo to the top of the retail fashion industry. And it's not done yet, for the company is not resting on its laurels. Tadashi Yanai, Chairman, President & CEO of Fast Retailing, has outlined grand plans, setting a goal of becoming the world's biggest apparel shop by the year 2028.