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UNIQLO: BECOMING A TRULY GLOBAL COMPANY

Stable growth at Uniqlo Japan contributed to the strong overall performance, but the Uniqlo brand also experienced strong growth in international market, especially in Greater China (Mainland China, Hong Kong and Taiwan) and South Korea.

We intend to work hard to develop Uniqlo as a leading brand in other regions as well, including the United States, Europe, Southeast Asia and Oceania. In fact, creating a firm operational platform and expanding the Uniqlo brand in the United States is our top priority at this stage.

-Tadashi Yanai, CEO of Fast Retailing Co., Ltd. ¹

In 2001, in London, Uniqlo opened its first international store outside Japan. Global markets are now the main drivers of Uniqlo's growth. In order to boost the global popularity of the Uniqlo brand, full-fledged research and design centers have been set up in major global fashion cities like New York, Paris, London, Tokyo and Shanghai.² With the ambition to become the No.1 casual wear brand in the world, Uniqlo is now focusing on a global expansion plan. Revenue from 374 stores in the Greater China region (including Mainland China, Hong Kong and Taiwan) exceeded 200 billion yen in 2014.³ With 200 new stores are scheduled to open globally in 2015, revenues from international markets are expected to surpass those from Japanese home market. What are the global expansion strategies of Uniqlo in the next few years? What are the opportunities and challenges that the company faces with its ambitious expansion plans? How can Uniqlo compete with other strong retail brands in the international market? These are the questions that need to be answered by Uniqlo's management team.

¹ CEO Message 2015: Pioneering a New Industry <http://www.fastretailing.com/eng/about/message/> accessed on July 11, 2015

² <http://www.fastretailing.com/eng/ir/direction/interview.html>, Interview with the CEO accessed on July 12th.2016

³ Uniqlo International: Driving future growth: Asia leading the way, United States to follow. Accessed on June.30.2015

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Company background

Uniqlo is a Japanese casual wear designer, manufacturer and retailer chain that has been a wholly owned subsidiary of Fast Retailing Company. This company also owns other clothing brands, such as GU, Theory, Comptoir des Cotonniers, Princesse Tam Tam and J Brand. The first UNIQLO store was opened in Japan in June 1984. Ever since then, Uniqlo has been creating clothes for “Everyday, Everyone.” It introduced the new clothing concept “LifeWear” into the apparel retail industry. “LifeWear” is high-quality, fashionable, affordable and comfortable everyday clothing for everyone.⁴

The vision of the Uniqlo brand is to provide high-quality basic casual wear at low prices. Uniqlo’s signature and core items, including HEATTCH, Ultra-Light Down, AIRism, sweatshirts and sweat pants and jeans, generated strong sales. Within its wide selection of products, the sales of women’s, kids’ and baby wear particularly increased, and this development helped the brand expand its market share. The company started to open stores in urban locations and within prominent shopping malls. Flagship stores have also have been opened around world. [See **Exhibits 5 and 6.**] By August 2014, there were a total of 852 stores in Japan, with 633 international stores contributing almost 37% of total UNIQLO sales. [See **Exhibit 1.**]⁵

Competition

Direct international competitors include the Spanish firm Inditex Group (Zara), the Swedish firm Hennes & Mauritz (H&M), and America’s Gap Inc., including Gap, Old Navy, and Banana Republic. Compared to Uniqlo, these fashion retail companies enjoy a large share of the global clothing market, and have higher brand recall and brand equity among international buyers.

Companies like Zara, H&M and the Gap also initiated aggressive global expansion plans similar to Uniqlo’s. [See **Exhibit 4.**] For example, H&M targeted an increase in store numbers of 10 to 15 percent a year. In 2012, H&M planned to open only 275 stores, but ended up opening more than 300 new stores. It also planned to expand its online business to more countries. Zara’s strategy also included expanding globally, and it has opened more than 5,500 stores in 80 countries using its smart supply chain strategy, which helped them to source more than half their products from their home country.⁶

Uniqlo’s business model is different from those competitors. Zara and H&M focus on “fast fashion,” which means they try to bring the latest fashion to the mass market quickly. In contrast, Uniqlo only sells about one thousand items at the same time, far fewer than its competitors, and keeps them on the shelves for a longer period.⁷ As Mr. Yanai, the CEO of Fast Retailing Ltd., has said, they don’t want to chase after “fast fashion” trends. Uniqlo narrows its offerings by selling the same item in many different colors. This approach lets the company strike lower-priced, high-volume deals with its suppliers and makes managing inventory much simpler and cheaper. Selling “only the basics” allows the company to appeal to a wider audience than its competitors.

⁴ www.fastretailing.com/eng/ir/direction/interview.html 30/06/2015 Interview with the CEO, LifeWear A New Kind of Clothing.

⁵ www.fastretailing.com/eng/about/business/aboutfr.html 30/06/2015 About the business

⁶ Case study on Uniqlo: on a global expansion spree

⁷ www.economist.com/node/16436304 Uniqlo: uniquely positioned



Strategy

SPA Business Model

Uniqlo was the first company in Japan to establish an SPA (Specialty-store retailer of Private-label Apparel)⁸ business model. This vertical integration model encompasses all stages of the business and allows Uniqlo to fully control the entire clothes-making process from design through manufacture to final retail. Through this model, Uniqlo is able to offer high-quality products at reasonable prices. At the same time, it helps the company maintain its corporate culture and meet organizational goals. The SPA model can be divided into three stages: Planning, Production and Sales. [See **Exhibits 2 and 3**].

The Planning stage includes Research and Design, Development and Procurement of Materials, and Merchandising. In the designing process, designers from Uniqlo's research and development centers constantly meet with people from merchandising, marketing, materials development and production to discuss new products for the coming season. They try to discover the latest fashion trends and lifestyles, and also look for new materials. Uniqlo's strengths also lie in seeking the best materials at low cost by negotiating directly with materials manufacturers and placing high-volume orders to secure stable supplies, especially for their core items like HEATTECH products.

The Production stage includes Quality and Production Control and Production Network Expansion. Uniqlo has set up partner factories in China, Vietnam, Bangladesh and Indonesia. For production-process quality control, the company hired about 400 *Takumi* (expert textile artisans; Chinese “匠”) to visit partner factories each week and resolve various technical issues.⁹

The Sales stage includes Inventory Control, Marketing, Managing Stores and Online Business, as well as Customer Centers. To increase sales, Uniqlo's marketing team conducts promotional campaigns for core products using TV and other media. Meanwhile, online stores in Japan, China, Hong Kong, Taiwan and the U.S also help generate revenues. Customer centres are set up to deal with customer comments and requests, and to improve customer service.

“Crossover UT” Production

In order to inject fresh vitality and originality into the brand, Uniqlo has collaborated with diverse designers and partner companies. There is a production line for UT (Uniqlo's T-shirt). The concept for this line is “The New Model T,” which allows the traditional T-shirt to remix with pop culture. Uniqlo cooperated with many different companies and organizations to create popular “crossover” T-shirts. These have introduced the “Disney”, “PIXAR”, “SNOOPY”, “Coca-Cola” and “LINE” series. [See **Exhibit 7**.] These T-shirts are extremely popular with young buyers. These UT products act as double promotions. Crossover T-shirts' combination of high-quality material and popular icons and logos from well-known cooperating companies has gotten Uniqlo rapid brand-recognition in the global market.

Uniqlo was a newcomer in the United States when it opened its first flagship store in New York City's chic Soho neighborhood in 2006. In order to boost its visibility and brand recognition, Uniqlo undertook joint projects with New York's Museum of Modern Art (MoMA). It offered a range of T-shirts from both cutting-edge artists and established pop

⁸ <http://www.fastretailing.com/eng/group/strategy/Uniqlobusiness.html> Uniqlo Business Model 14/07/2015

⁹ <http://www.fastretailing.com/eng/group/strategy/Uniqlobusiness.html> Uniqlo Business Model 14/07/2015



masters, such as Andy Warhol and Keith Haring. In Europe, Uniqlo's collaborations with popular local artists were also a great success, with some of the products selling out on the first day they launched.

Global Expansion

UNIQLO opened its first global flagship store in the U.S in 2006, and a second flagship, the New York Fifth Avenue Store, in 2011. By then, Uniqlo had received a great response from customers. The company has been frequently approached by U. S shopping mall owners to open stores in their facilities.

Operations in mainland Asia are already growing faster than in Japan, with the Chinese market growing fastest. As the Chinese government gradually changes its policy emphasis from growth of exports to boosting internal demand, China will become a significant consumer nation. By May 2015, Uniqlo ran 362 stores in China, followed by 154 in Korea, 55 in Taiwan and 25 in Hong Kong. There are many attractive markets in Asia, as the size of the middle-income population in China, Southeast Asia and India is predicted to explode over the next ten years. Uniqlo aimed to accelerate the pace of new store openings within the region. In the last few years, the company has extended its business to Singapore, Malaysia, Thailand, Philippines, Indonesia and Australia.

Overseas Strategy

Uniqlo's vision is to become the world's No. 1 casual apparel brand and a truly global company. Establishing a significant, profitable and growing overseas business is a key element in achieving this goal. How can Uniqlo succeed in becoming the leading brand in the overseas market? A few important strategies have been implemented.

First of all, Uniqlo needs to leverage their outstanding resources and the great strength of its Japan-based management team. At the same time, the Japanese team needs to develop a global mind-set, ensuring that Uniqlo's domestic operations and overseas business are not separated.

Secondly, the three most important reasons for the Uniqlo brand's success in Japan are: products (quality, price, style, range); customer service (high Japanese standards); and stores (offering superior customer experience). These three key success factors must be replicated when expanding to overseas markets.

Thirdly, it is important to create strong local teams when expanding to different markets. The company needs to employ talented local staff in top management positions. Such people not only have leadership ability and industry experience, but are in touch with the local market, culture and trends. Another way to get a strong team in place quickly is to set up alliances with strong local partners. The successful partnership with Lotte in South Korea is a good example, showing such an alliance to be a key factor behind the company's success in that country.

Another important strategy is to build brand power. The Uniqlo brand is relatively less well known overseas than in Japan. Setting up global flagship stores is an effective and profitable way to quickly raise brand awareness in the global market. Flagship stores can differentiate the Uniqlo brand from competitors. Letting consumers directly experience the Uniqlo brand is the best way to express what Uniqlo stands for. The Fifth Avenue flagship store in New York cooperates with Starbucks, and the Starbucks coffee shop housed within the Uniqlo store enables customers to browse Uniqlo clothes while sipping their coffee. This is extremely popular with New Yorkers.



M&A

One way to increase Fast Retailing Company sales and profitability is through mergers and acquisitions. M&A can help a company to strengthen its business platform by acquiring business and new markets overseas. At the same time, M&A can enable the company to expand its brand portfolio by growing its retail store network. Gaining access to top-quality talent and partnerships around the world can also facilitate a meaningful expansion of the Uniqlo brand worldwide.

The company's earliest investment was the 2004 acquisition of the "Theory" brand, a New York-based fashion label. This purchase showed how the company could use acquisitions to create additional profits. The "Theory" brand is now performing very well and has been developed into a billion-dollar business.

Acquisitions also build a strong operational foundation for the company. The latest acquisition, in 2012, was J Brand Holdings, a leading U.S. contemporary denim company. J Brand's expertise can help develop denim products within the overall company. Diversified brand names can also benefit Uniqlo operations, such as product development and store expansion. An M&A strategy is critical as the global presence of the company continues to expand.

Training a Global Workforce

When the Fast Retailing Company expanded its scale and increased its global presence, it needed to build a new management system. It experienced some difficulty in hiring and training the right people when expanding its business into China. However, a survey showed that Uniqlo is now ranked No. 1 in the apparel industry among Chinese university graduates. The company is now hiring new graduates in China, Hong Kong and Taiwan, and those young people share the company's aspirations. It began hiring and training these future managers through four regional headquarters: New York, Paris, Shanghai and Singapore. All new employees are trained in their regional headquarters, participate in management training programs, and receive practical in-store experience. These programs are tailor-made by the Japan-based Fast Retailing Management and Innovation Centre (FRMIC).¹⁰

To become a truly global company, Uniqlo's Japanese employees should have the opportunity to practice and perfect their skills abroad, and capable employees from around the world should also be able to work in Japan. Top managers should be able to make smart, swift operational decisions. The Fast Retailing Way is also based on important elements of Japanese culture: a passion for fine craftsmanship; an emphasis on superior customer service; and a work ethic that values diligence and teamwork. When global expansion becomes reality, it is important to cultivate a strong senior management team by giving more responsibility for daily operations to younger managers, allowing them to refine their skills and promote their own ideas.

¹⁰ http://www.fastretailing.com/eng/ir/library/pdf/ar2012_en_06_n.pdf 14/07/2015

The Future

“Global is local, local is Global. We are aiming to become a truly global company,” said the Chairman, President & CEO of Fast Retailing Co., Ltd., Tadashi Yanai. With such ambitious expansion plans, what challenges does Uniqlo face in the global market? What strategy would you suggest for Uniqlo’s global expansion? How can Fast Retailing Company become a truly global company and transform Uniqlo into a truly global brand in the near future?

Learning Objective: Students will be required to summarize the key challenges and competition for the global fast fashion industry. Discuss the main strategies Uniqlo used to react to the challenges and compete with its major competitors. Student will then be required analyze the reason why being a truly global company is important to the success of Uniqlo and how its global expansion strategy can help the firm to achieve its objectives.

Suggested Questions:

1. How can Uniqlo compete with the other major competitors in the international market?
2. What are the global expansion strategies of Uniqlo in the next few years?
3. What are the opportunities and challenges that Uniqlo faces with its ambitious expansion plans?
4. How can Fast Retailing Company become a truly global company and transform Uniqlo into a truly global brand in the near future?

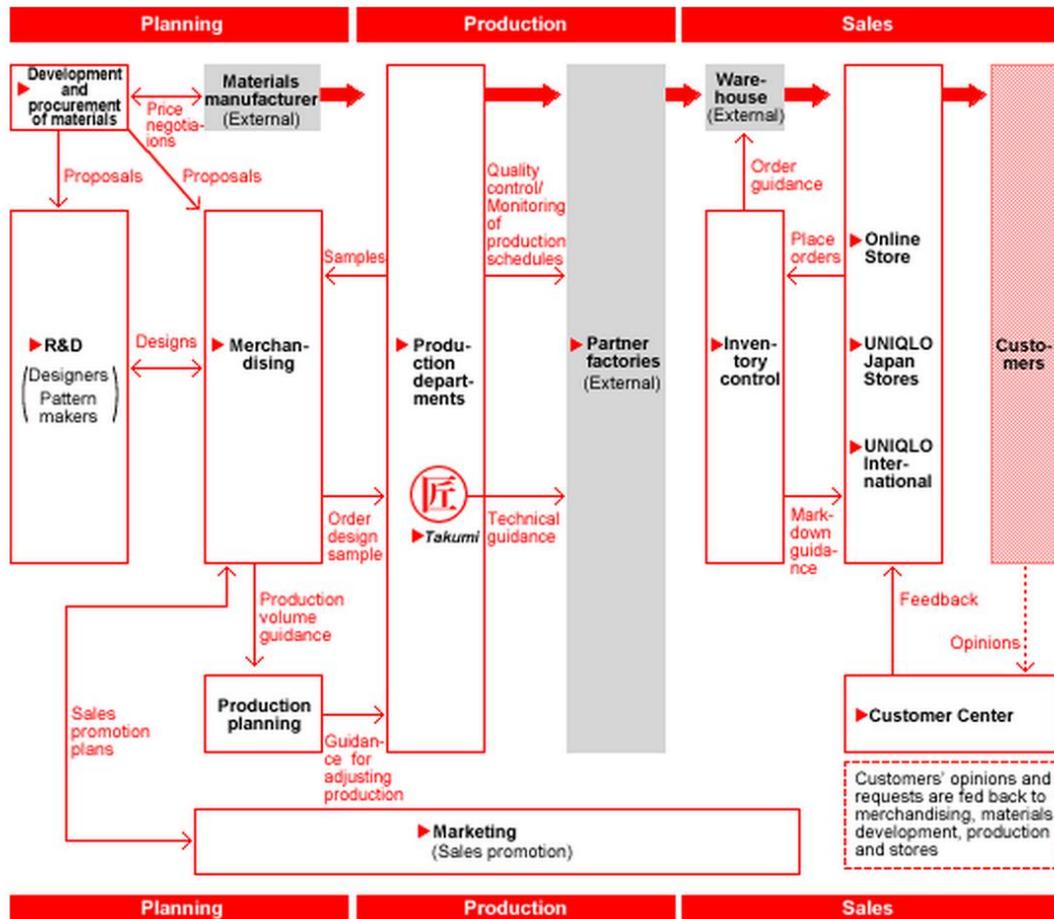
EXHIBIT 1: BUSINESS SEGMENT AND GROUP OUTLETS

Units: Stores	As of February 28, 2014	As of May 31, 2014	As of August 31, 2014	As of November 30, 2014	As of February 28, 2015	As of May 31, 2015
UNIQLO Operations	1,384	1,460	1,485	1,547	1,558	1,611
UNIQLO Japan:	850	862	852	852	842	844
Own Stores	832	841	831	824	814	814
Large-scale Standard	191	201	199	203	203	207
Franchise	641	640	632	621	611	607
Franchise	18	21	21	28	28	30
UNIQLO International:	534	598	633	695	716	767
China	260	290	306	330	340	362
Hong Kong	22	22	22	23	24	25
Taiwan	43	43	46	48	51	55
Korea	116	132	133	137	139	154
Singapore	16	16	18	21	22	23
Malaysia	14	18	21	23	24	24
Thailand	14	18	20	21	21	23
Philippines	11	12	16	19	22	23
Indonesia	3	4	4	6	6	7
Australia	-	1	1	4	4	6
USA	17	21	25	39	39	40
UK	10	10	10	10	10	9
France	4	6	6	8	8	8
Russia	4	4	4	5	5	7
Germany	-	1	1	1	1	1
Global Brands	1,212	1,258	1,268	1,319	1,314	1,350
GU	250	277	276	300	295	319
Theory*	435	449	460	482	489	501
COMPTOIR DES COTONNIERS*	374	374	374	379	375	376
PRINCESSE TAM.TAM*	151	152	152	152	151	150
J Brand	2	6	6	6	4	4
Total	2,596	2,718	2,753	2,866	2,872	2,961

*including franchise stores

Source: <http://www.fastretailing.com/eng/about/business/shoplist.html>

EXHIBIT 2: UNIQLO BUSINESS MODEL (SPA)



Source: www.fastretailing.com/eng/group/strategy/Uniqlobusiness.html

The SPA (Specialty store retailer of Private label Apparel) business model incorporates the entire clothes-making process from procurement of materials, product planning, development and manufacture through distribution and retail to inventory management.

**EXHIBIT 3: MAJOR GLOBAL SPECIALTY SHARE RETAIERS OF
PRIVATE LABEL APPAREL (SPA)**

Company Name (Flagship Brand)	Country	End of Fiscal Year	Sales (Trillion of yen)	Sales (Billions of dollar)	Change (%) (local base)
INDITEX (ZARA)	Spain	Jan. 2015	2.42	20.31	+8.3
Hennes & Mauritz	Sweden	Nov. 2014	2.15	18.04	+17.8
Gap	USA	Jan. 2015	1.96	16.43	+1.8
FAST RETAILING(UNIQLO)	Japan	Aug. 2014	1.38	11.59	+21.0
Limited Brands	USA	Jan. 2015	1.36	11.45	+6.3
PVH (Calvin Klein, Tommy Hilfiger)	USA	Feb. 2015	0.98	8.24	+0.7
Ralph Lauren	USA	Mar. 2014	0.88	7.45	+7.3
NEXT	UK	Jan. 2015	0.73	6.17	+6.9
Abercrombie & Fitch	USA	Jan. 2015	0.44	3.74	-9.1
AMERICAN EAGLE OUTFITTERS	USA	Jan. 2015	0.39	3.28	-0.7

Notes: Compiled from the annual reports of the companies listed above.

*Figures calculated in yen using the end of Feb, 2015 foreign exchange rates. (\$1=¥119.26)

Source: <http://www.fastretailing.com/eng/ir/direction/position.html>



**EXHIBIT 4: WORLDWIDE APPAREL SPECIALTY STORES:
RANKED BY MARKET CAPITALIZATION**

(Billions of yen)

(February 28, 2015)

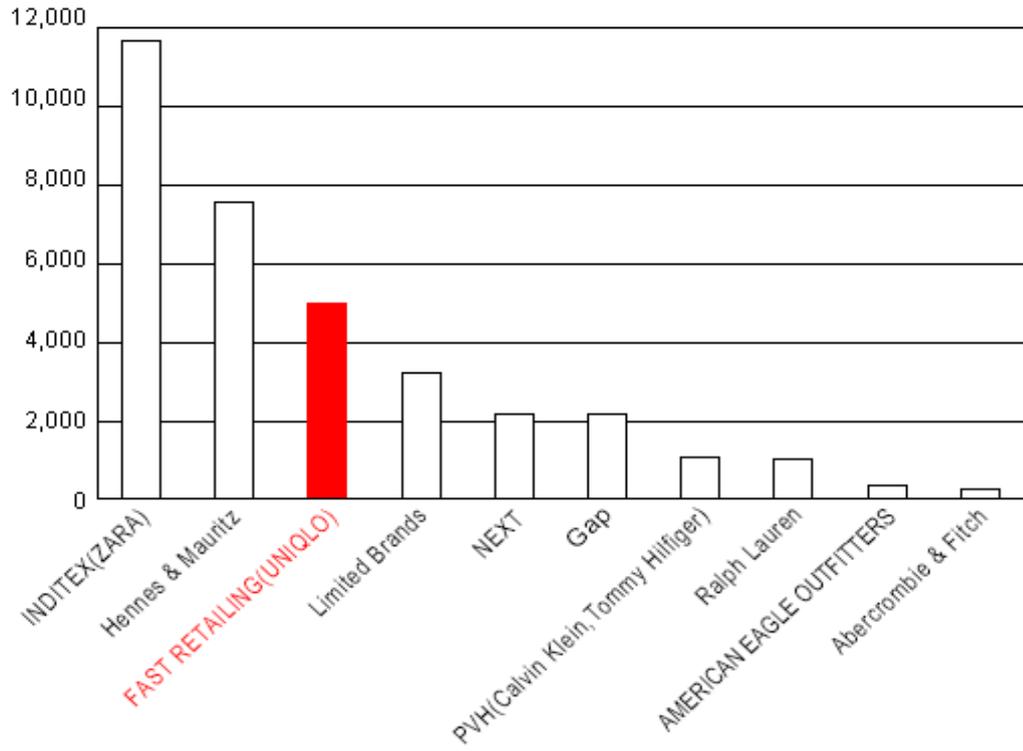


EXHIBIT 5: UNIQLO FLAGSHIP STORES WORLDWIDE



Paris Opera Store (Oct. 2009)



London 311 Oxford Street Store (Nov. 2007)



Shanghai West Nanjing Road Store (May 2010)



Soho New York Store (Nov. 2006)



Osaka Shinsaibashi Store (Oct. 2010)



New York Fifth Avenue Store (Oct. 2011)



Ginza Store (Mar. 2012)

Seoul Myeongdong Central Store (Nov. 2011)



Taipei Mingyao Department Store (Sept. 2011)



Hong Kong Lee Theatre Store (Apr. 2013)



Berlin Tauentzien Store (Apr. 2014)

EXHIBIT 6: LAYOUT AT A UNIQLO STORE



EXHIBIT 7: UNIQLO'S CROSSOVER WITH "LINE"



Source: <http://www.Uniqlo.com>