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Shifting up to the global level

~Shop floor, Service, Products~

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My names is Takahiro Wakabayashi and I am a member of the board and the Senior Vice President of Sales & Store Operation at UNIQLO CO., LTD.

Last year at the operational strategy conference, I outlined FAST RETAILING's vision to become a corporate group with sales of 1 trillion yen and operating profit of 150 billion yen by 2010.

As a member of the FR Group, we at UNIQLO Japan are aiming for sales of 600 billion yen by 2010.

Shifting up to the global level

UNIQLO has no future if it doesn't transform as fast as possible into a truly global apparel company with its sights always aimed at becoming the world's No.1.

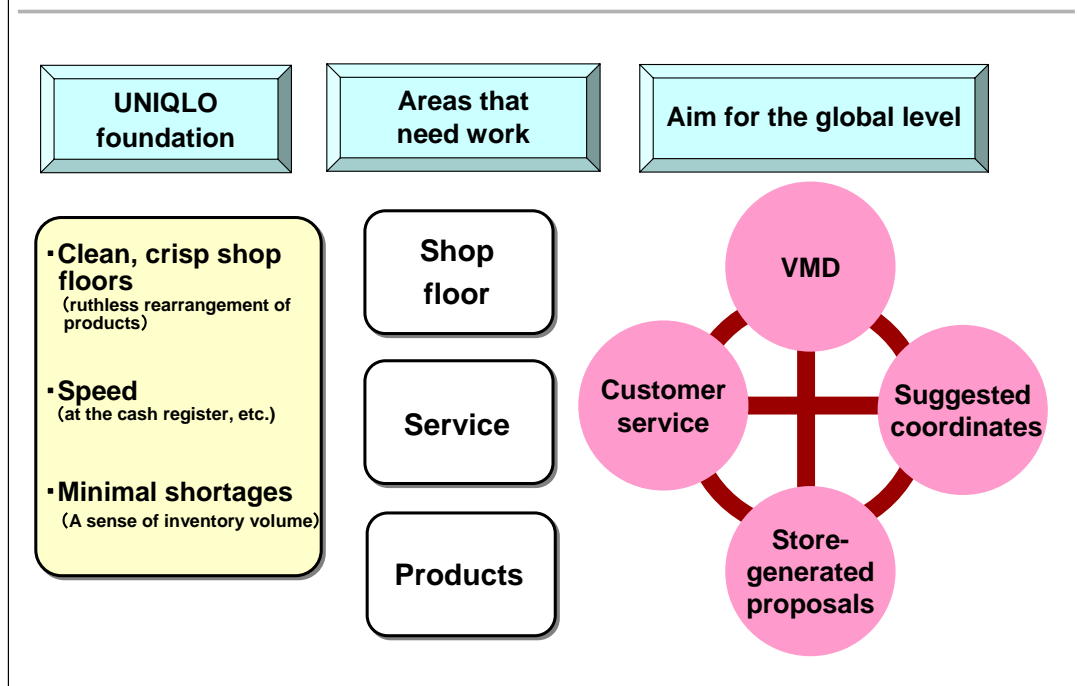
We will realize that goal only when we recognize that the shop floor is where it is all at, and offer the right service and products to suit that reality.

UNIQLO is currently facing a challenging period of change at the global level. The New York R&D center is now fully operational and from this autumn/winter season, our products will be completely and radically changed. This autumn, we are due to open our flagship store in New York's Soho with a massive shop floor in excess of 3,300 square meters. We are developing a completely new UNIQLO.

We believe that UNIQLO has no future if it doesn't transform as fast as possible into a truly global apparel company, always aiming for the number one slot.

We can only hope to approach that number one slot in the world once we have transformed our shop floors, which are the center of all activity and our future success, and transformed our service and our products to suit that reality.

Shifting up to the global level



UNIQLO was born out of a single store in Harajuku in 1998. It became a national brand and enjoyed extremely fast growth. It has always been our priority to achieve the most with the minimum required. That has meant clean shop floors, speedy operation and minimal product shortages.

However, if we are to compete with the like of the global SPA firms such as H&M, ZARA, etc. then our customers must be aware that UNIQLO has transformed itself and shifted up to the same level. We have to implement clear and sweeping changes across the board in terms of our shop floor, services and products.

This is not just to compete against others, but to bring out the very best of UNIQLO and create stores that satisfy our customers and their needs.

1. Shop floor

To date: Single product appeal
(volume displays)

Stronger VMD

Combine

“single product appeal”
& “possible coordinates”

First of all, let me explain about our efforts regarding our store layouts.

As improvements to the shop floor, we are looking to strengthen our VMD and combine single product appeal with possible coordinates.

UNIQLO to date has focused more on single products and their appeal. If we add to this some suggested possible coordinates, then the original quality of the goods can be better conveyed to the buying public.

When we were concentrating on single product marketing, a typical UNIQLO store would put out a huge number of the garments that it wanted to highlight on tier displays, or we would display only those products for focused sale. Our shop fronts competed purely on volume.

The main feature of our new store development to be launched this autumn/winter is to create a shop floor that both highlights the appeal of the single product at which UNIQLO has excelled in the past, and combine that suggested coordinates. We will be placing a stage in front of our shop facades with mannequins clearly showing the suggested coordinates. We will then place a message board next to the mannequins to explain the theme behind the coordinates on display.

The biggest point here will be the display of all of the coordinate products shown on the mannequins along the walls behind the stage. Up until now, UNIQLO has always focused on single product displays – the jackets were with the jackets, bottoms with bottoms, etc.

Going forward, we will be taking the products focused in the season's theme – jeans for example – and displaying all of the jean-related coordinates together on the back walls. By combining not just jeans, but denim jackets and shirts as well, we feel that we can actually highlight the original “quality of the product” much more effectively.

One more point about the new shop layout, we will be putting low level furniture and fittings to display our core products, thus further strengthening the appeal of our single, superior products for which UNIQLO is well known.

Up until now, UNIQLO stores have used high racks to give a sense of volume.

The use of low-level fittings for display will actually enable us to show the garments as if they would look when worn, they will be easy to reach and easy to pick out.

We are looking to further strengthen the appeal of our core garments through the introduction of these low-level furniture and fittings.

We are also looking to introduce this store layout that combines single product appeal with suggested coordinates across our store network.

2. Service

To date: Priority on firm operation
(clean shops, minimal shortages, speed)



Improve customer service
Suggest coordinates
& explain garments on offer

Next, I would like to explain about how we plan to bring our level of service up to a global level.


Up until now, UNIQLO has concentrated on ensuring a firm operation, but going forward we are looking to complement this by strengthening our customer service by suggesting coordinates and explaining the garments on display.

Recently we have seen how successful this can be at our new Ginza store. Sales staff there actively tried to improve their customer service and as a result the average purchase price per customer at that Ginza store has increased by about 10%.

We are looking to further improve our customer service particularly on garments such where we can expect to expand sales. This would include coordinate suggestions for “COOLBIZ” clothing – where customers are looking for smart casual clothes to wear to the office following the government’s environmentally-conscious campaign to reduce summer air-conditioning in the workplace. We would also be looking to provide a better explanation of the functionality of our body tech range for instance.

3. Products

To date: Products planned in HQ



**A new internal
information system
to better reflect the real needs
of our customers as gleaned
from the shop floors themselves.**

The third measure to be introduced is to really get to grips with just what our customer needs are and reflect that in our products. We are looking to do this by launching a new means of disseminating information from the store network throughout the company.

We have already begun implementing our internal information system in March of this year. The system is set up to collect information from all of our stores on customer's underlying needs and to better reflect those needs in our product range.

In the following slide, I will explain an example of how the dissemination of information works under this new system.

~Skirt proposals~

■ Questions

- ①What do you as shop staff think about UNIQLO positively promoting the sale of skirts?
- ②Do you think skirts should be on sale all year around or only for specific periods?
- ③Please let us know if you have any good ideas for boosting skirt sales. (shop layout, sales promotion, suggested coordinates, etc.)
- ④If we were to sell skirts, what type of product do you think would be easiest to sell at UNIQLO? (low price, material, length, design, etc.)
- ⑤Does the average customer expect UNIQLO to sell skirts? Do you get many inquiries or request at your store?
- ⑥What would be the best kind of promotion to boost sales?

UNIQLO has not displayed a full range of skirts in the past, but when our women's division was studying the option of expanding skirt sales, they were able to seek a broad range of views from across our store network through the internal information system.

The content of the questions posed are included here.

The questions cover such areas as customer needs, ideas on the products themselves and how to sell them in our stores.

We received many opinions from our stores in response to these questions.

On receipt of these opinions, the MD of our women's division conducted full discussions with our stores and decided to introduce skirts into all of our stores. They were duly introduced in June.

We also think that we can further strengthen the "SPA-type" role of our stores by making full use of this system of gather information from store level.

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We will realize that goal only when we recognize that the shop floor is where it is all at, and offer the right service and products to suit that reality.

This success of these measures will be determined by just how much response we get from customers visiting our stores and whether they feel that their impression of UNIQLO has clearly changed, whether they feel that UNIQLO stores are a fun place to shop.

We are working to achieve our sales target of ¥600bln by the year 2010 by increasing the number of UNIQLO fans.

We hope to do this by shifting our performance up to a global level, by recognizing that our stores are our true reality, and offering the right service and the right products to suit that reality.