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Digital Business Transformation Fully Integrated with Frontline Operations

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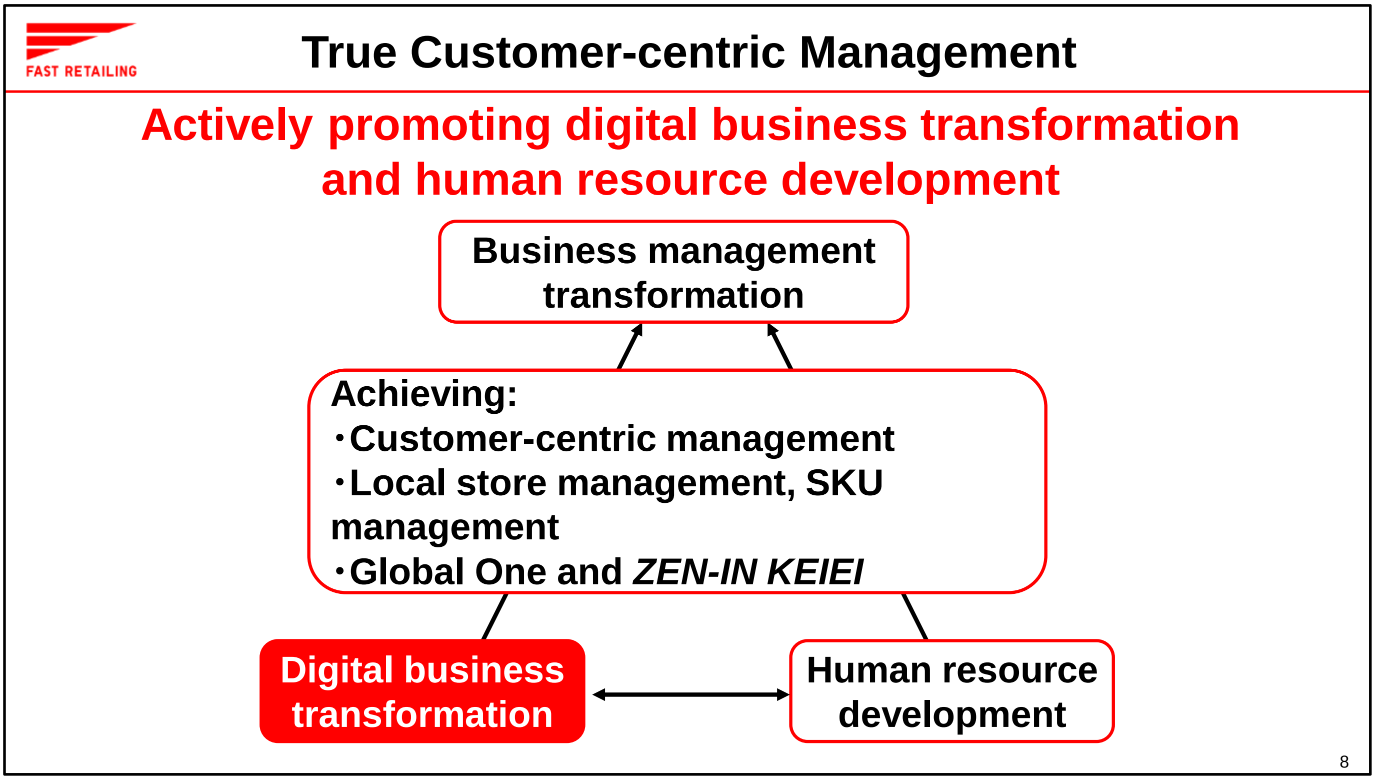
My name is Takahiro Tambara, and I am Group Executive Officer at FAST RETAILING.

I joined FAST RETAILING in 2012. I have worked as Head of the Digital Business Transformation Services Department and am currently the Chief Information Officer for the FAST RETAILING Group.



True Customer-centric Management

Actively promoting digital business transformation and human resource development

Business management transformation

Achieving:
・Customer-centric management
・Local store management, SKU management
・Global One and *ZEN-IN KEIEI*

Digital business transformation

Human resource development

Today, I would like to explain the strategies we have taken so far on digital business transformation initiate changes in our operational management and talk about some important future issues that we are seeking to address.

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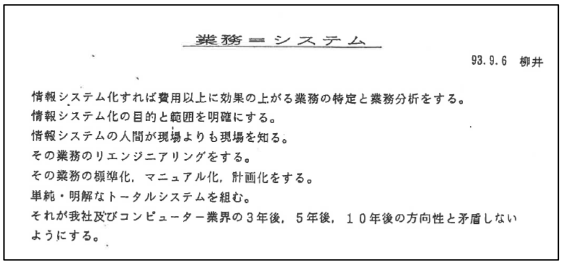
Business Administration = Systems

Learning best practices from frontline employees and supporting those methods digitally

- ・Creating standard practices, manuals, operational plans before digitalization
- ・The Digital Business Transformation Services Division supports frontline business reform by visiting all sites from planning, production, distribution, stores, and head offices, to learn firsthand about the best way of doing things, and incorporating those methods into replicable frameworks
- ・Repeatedly improving business processes based on frontline feedback and thoroughly implementing those processes to generate beneficial reforms

1993 Internal Memo:



業務＝システム

93.9.6　柳井

情報システム化すれば費用以上に効果の上がる業務の特定と業務分析をする。
情報システム化の目的と範囲を明確にする。
情報システムの人間が現場よりも現場を知る。
その業務のリエンジニアリングをする。
その業務の標準化，マニュアル化，計画化をする。
単純・明解なトータルシステムを組む。
それが我社及びコンピューター業界の３年後，５年後，１０年後の方向性と矛盾しないようにする。

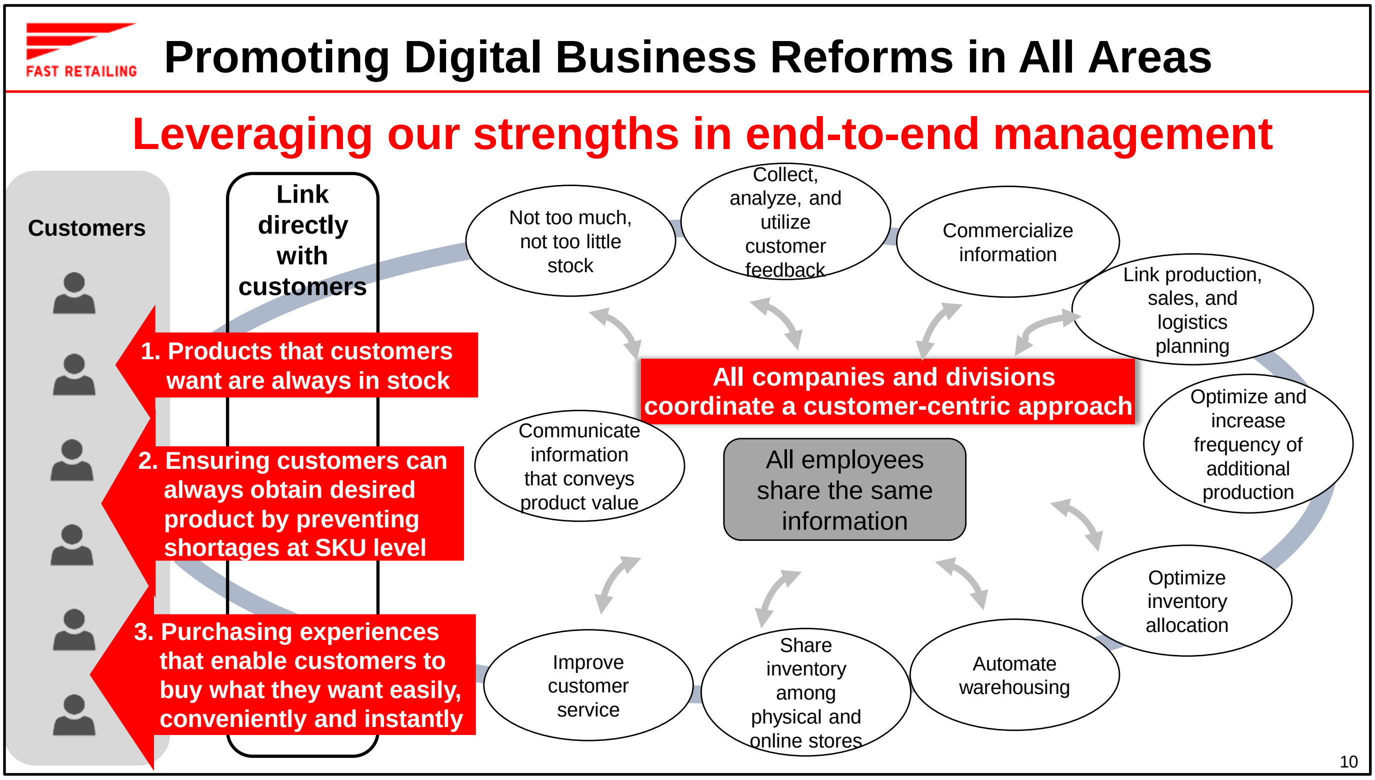
▲Members of the Digital Business Transformation Services Division spend half the week at different sites worldwide. They work closely local members, ascertaining how to construct and systemize best practices, promote onsite education, and generate effective business reform

Before I go into the concrete details of our initiatives, I would first like to explain our overall approach regarding the introduction of digital technologies in business.

The title of this slide, “Business Administration = Systems,” first appeared in an internal memo written by our President and CEO Tadashi Yanai over 30 years ago. The memo goes on to explain that the most important element of digitalization is the prior creation of administrative standards, manuals, and operational plans.

With that aim in mind, staff from the Digital Business Transformation Services Department actively visit many all sites from planning through production, distribution, stores, and headquarters. They learn firsthand about the best way of doing things from onsite employees and their own onsite observations. They then incorporate that gained knowledge into reproducible systems and provide backup onsite business transformation support.

Specialist employees listen to onsite employee feedback, repeatedly adjust and improve business processes, and thoroughly implement system changes until the expected benefits of the specific business transformation have been secured.



Promoting Digital Business Reforms in All Areas

Leveraging our strengths in end-to-end management

Customers

Link directly with customers

1. Products that customers want are always in stock

2. Ensuring customers can always obtain desired product by preventing shortages at SKU level

3. Purchasing experiences that enable customers to buy what they want easily, conveniently and instantly

Not too much, not too little stock

Collect, analyze, and utilize customer feedback

Commercialize information

Link production, sales, and logistics planning

Optimize and increase frequency of additional production

Optimize inventory allocation

Automate warehousing

Share inventory among physical and online stores

Improve customer service

Communicate information that conveys product value

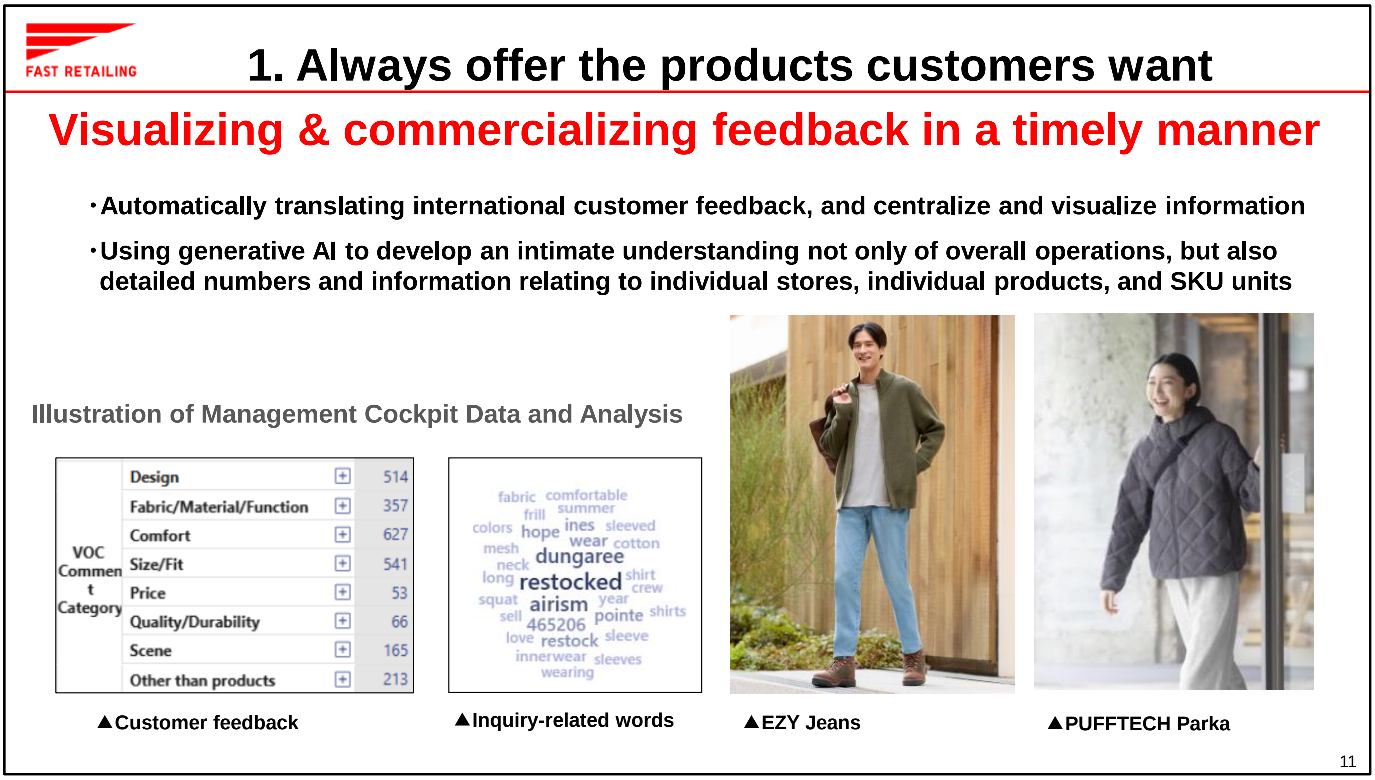
All companies and divisions coordinate a customer-centric approach

All employees share the same information

This slide gives an overview of the types of initiatives we are pursuing. FAST RETAILING manages the end-to-end processes of customer-centric clothes creation inhouse, from planning to production, distribution, stores, and headquarter operations, so we have always been able to leverage those strengths when introducing digital business transformation initiatives across every area of our operations.

So, what are we hoping to achieve by pursuing this digital business transformation?

The first thing is “Products that customers want are always in stock”.
Second is “Ensuring customers can always obtain desired product by preventing shortages at SKU level”.
Third is “Purchasing experiences that enable customers to buy what they want easily, conveniently and instantly”.



FAST RETAILING

1. Always offer the products customers want

Visualizing & commercializing feedback in a timely manner

- Automatically translating international customer feedback, and centralize and visualize information
- Using generative AI to develop an intimate understanding not only of overall operations, but also detailed numbers and information relating to individual stores, individual products, and SKU units

Illustration of Management Cockpit Data and Analysis

VOC Comment Category	Design	514
	Fabric/Material/Function	357
	Comfort	627
	Size/Fit	541
	Price	53
	Quality/Durability	66
	Scene	165
	Other than products	213

▲Customer feedback

▲Inquiry-related words

▲EZY Jeans

▲PUFFTECH Parka

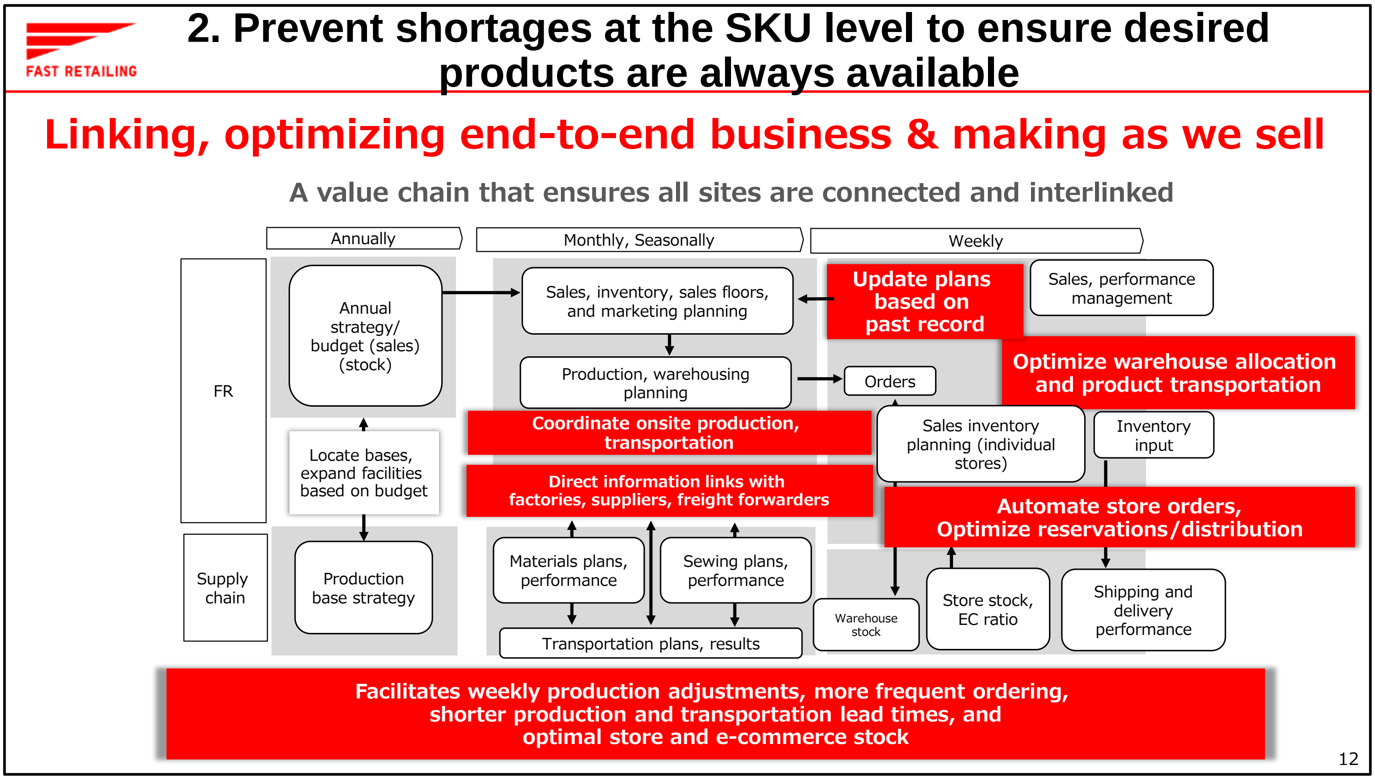
From here, I would like to explain in more detail what we are doing to achieve these three ideals. Let us look first at the goal of “always offer the products customers want”.

In the past, we had some issues with the speed and accuracy of our customer feedback analysis because customer testimonials were analyzed manually, which took time and sometimes failed to incorporate some important comments. Another issue was that any pertinent information was only shared with product-related departments.

Today, any feedback received from our growing number of international customers is automatically translated, so all information can be centralized and visualized 24/7 from any location at any time. Now, instead of analyzing feedback manually, we use generative AI to help develop a detailed understanding not only of the data and any issues relating to our overall operations but also detailed numbers and important information about individual stores, individual products, and SKU units.

All kinds of groupwide information are collected in a central location, the Management Cockpit, which sits at the heart of all business transformation. As the illustration on the slide shows, you can instantly see the areas that have the most customer feedback, and get alerts about important complaints or concerns.

For example, the EZY Jeans that we launched in Spring Summer 2025 will be offered again because they generated a large amount of customer feedback. Customers loved the products, which contributed in no small way to the rise in total sales over the period. Another example is our PUFFTECH range, which we sell over the fall and winter period, and which was developed based on customer feedback and changing lifestyles. Now in its second year on the shelves, PUFFTECH is already being developed as a pillar product for our business. We also conduct weekly inspections of products with a low product review score and make immediate adjustments and improvements, even mid-season.



2. Prevent shortages at the SKU level to ensure desired products are always available

Linking, optimizing end-to-end business & making as we sell

A value chain that ensures all sites are connected and interlinked

Annually

Monthly, Seasonally

Weekly

FR

Annual strategy/ budget (sales) (stock)

Sales, inventory, sales floors, and marketing planning

Update plans based on past record

Sales, performance management

Production, warehousing planning

Orders

Optimize warehouse allocation and product transportation

Coordinate onsite production, transportation

Sales inventory planning (individual stores)

Inventory input

Locate bases, expand facilities based on budget

Direct information links with factories, suppliers, freight forwarders

Automate store orders, Optimize reservations/distribution

Supply chain

Production base strategy

Materials plans, performance

Sewing plans, performance

Warehouse stock

Store stock, EC ratio

Shipping and delivery performance

Transportation plans, results

Facilitates weekly production adjustments, more frequent ordering, shorter production and transportation lead times, and optimal store and e-commerce stock

The second is “prevent shortages at the SKU level to ensure desired products are always available”.

There are several important considerations here to ensure this aim can be achieved. (1) Refine our sales plans, (2) Create a flexible additional production order system by ensuring consistent linkages between production, sales, and distribution plans and facilitating close coordination of pertinent information with production partners, (3) Transport the right volume of the right inventory at the right time based always on the same considerations, namely how much do we sell and so how many items should we hold on an individual store and individual SKU basis.

This diagram show how this whole process works. It is not simply a question of revising Hanbai Keikaku (sales plans) to reflect the latest sales figures. It is also about linking and optimizing Hanbai Keikaku (sales plans) by introducing algorithms and systems, such as RFID, that cover end-to-end processes from planning through retail. This involves coordinating sales, production, and distribution plans, sharing information with partner factories, and optimizing warehouse allocations and product transportation and delivery to physical and online stores.

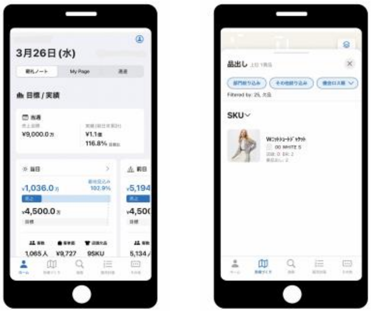
All of this now enables us to make weekly production adjustments and submit more frequent orders. We are also starting to see some benefit emerge in terms of shorting production and transportation lead times, and optimizing store and e-commerce stock. In short, we are gradually establishing systems that enable us to make products as we sell them.

3. Easy, convenient, instant purchasing experiences

Connecting directly with customers, fully grasping their needs

- Automating and digitizing qualitative and quantitative information related to sales, sales floor layouts and store staff operations; incorporating this information into business applications to help confirm progress of sales plans, and instantly grasp store needs such as layout changes or product placement
- Helping store staff identify and resolve issues from a management perspective, and generate results such as improving customer satisfaction
- Introducing RFID tags to enable staff to instantly know the location of products and check in-store stock levels or missing SKUs in real time
- Improving useability of e-commerce sites and apps, centralizing store and e-commerce inventory

▼Business app



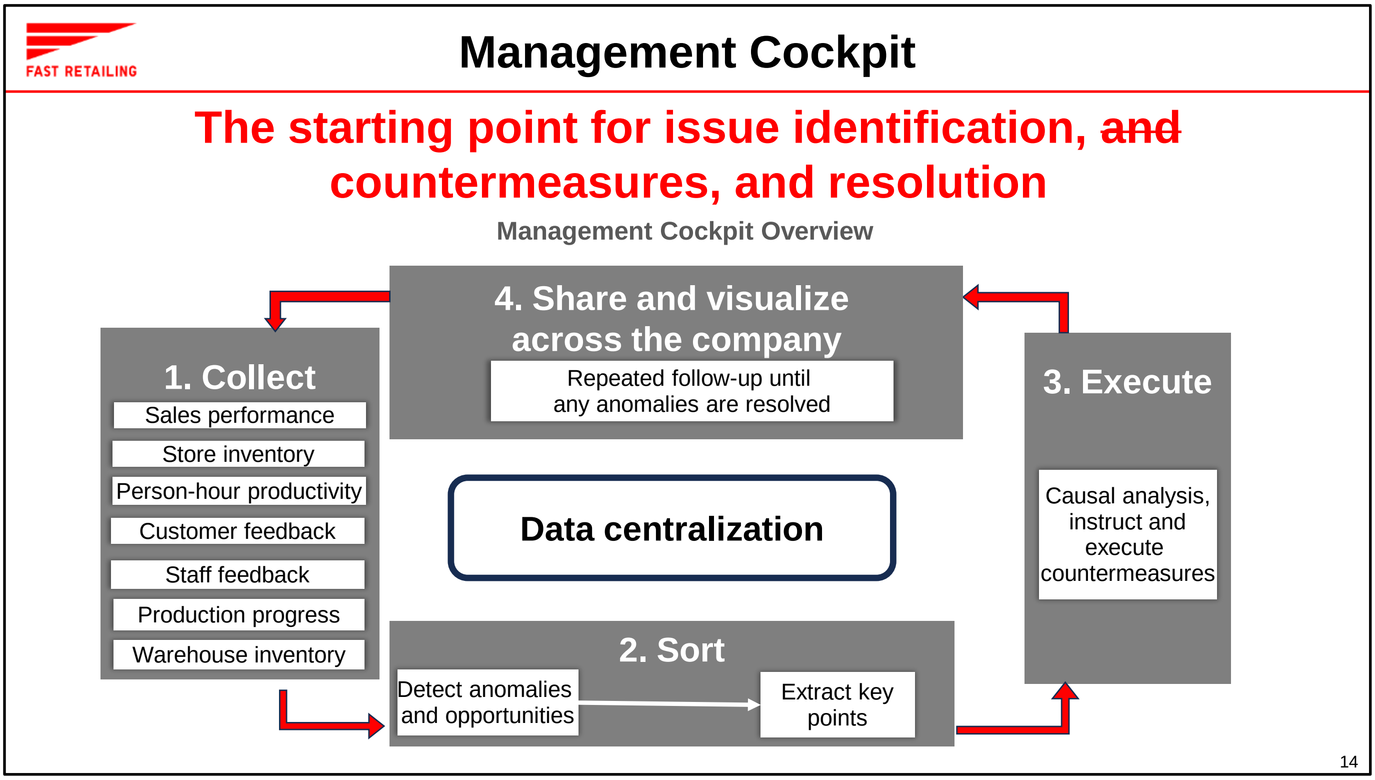
▼App-supported customer service

The third and final aim is “easy, convenient, instant purchasing experiences”. Basically, that means transforming our store operations to enable us to connect directly with our customers and gain a deeper and more detailed understanding of our customers’ needs. We are transforming the way we work to ensure we always put the customer first by maximizing the use of digital resources to streamline store operations and, at the same time, creating shopping experiences that integrate the merits of both our physical stores and e-commerce operations combined.

To improve the efficiency of our store operations, we have automated and digitized shop floor layouts and operational plans for instore staff. Incorporating this information into business apps that manage store operations has enabled us to check Hanbai Keikaku (sales plans) and their latest progress, and instantly grasp what needs to be done in any one particular store from changing store layouts to product placement. This means that even new salespeople who joined the company today for example would be able to instantly grasp the immediate situation and carry out any necessary store tasks on their own. Now, we can encourage store staff to actively grasp issues and problems from a management perspective, and generate results by improving customer satisfaction and other factors. The image of the business administration app that you see on the screen is the same one that our salespeople can view. Naturally, the store manager refers to it, but our salespeople also constantly check the business app during the course of their work.

RFID is one of the mechanisms that has made this business transformation and pursuit of greater efficiencies possible. The introduction of RFID tags enables staff to instantly track the location of products and check, in real time, the level of instore stock and shortage rates as well as any SKUs that are out of stock.

With regard to the creation of shopping experiences that leverage combined physical and online store merits, we are improving the useability of our sites and apps, and centralizing store and e-commerce inventory so that customers can continue to purchase our products right down to the last available online item.



Management Cockpit

The starting point for issue identification, ~~and~~ countermeasures, and resolution

Management Cockpit Overview

1. Collect
- Sales performance
- Store inventory
- Person-hour productivity
- Customer feedback
- Staff feedback
- Production progress
- Warehouse inventory

2. Sort
- Detect anomalies and opportunities → Extract key points

3. Execute
- Causal analysis, instruct and execute countermeasures

4. Share and visualize across the company
- Repeated follow-up until any anomalies are resolved

Data centralization

The Management Cockpit sits at the very heart of all the business transformation that I have explained so far.

The Management Cockpit does not function simply as a centralized platform for data and information, but offers a series of frameworks as shown in the diagram.

It starts by collecting and sharing information, detecting any anomalies or opportunities, analyzing the cause of any issues and implementing necessary measures. It then shares this knowledge across the whole company, coordinates all departments, and repeatedly and speedily carries out a series of processes.

We have created the Management Cockpit as the starting point for identifying issues, implementing countermeasures and resolving problems. It is helping to improve the quality of our business management.

Evolving towards the perfect Global One and *ZEN-IN KEIEI* business system

In order to support further business expansion on a global scale, the Digital Business Transformation Service Department will visit even more sites worldwide to learn the best way of doing things from local staff and support ongoing business transformation.

We also intend to work with external partners to develop and introduce new technologies that facilitate expanding global business transformation and ensure all employees thoroughly implement those transformational measures and generate even better results.

One such task involves revising our entire operations based on generative AI assumptions. Instead of introducing generative AI piecemeal into some business operations, we will use it to evolve comprehensive AI-driven business systems that embody and champion our Global One and ZEN-IN KEIEI management principles.

Let me now pass over to Yasuyuki Terashi, who is going to explain how we are nurturing the talent required to promote this business transformation.