UNIQLO Operations

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UNIQLO has established a SPA (Specialty store retailer of Private label Apparel) business model encompassing all stages of the business—from design and production to final sale. By continuously refining this SPA model, UNIQLO successfully differentiates itself from other firms by developing unique products. We quickly make adjustments to production to reflect the latest sales environment and minimize store-operation costs, such as personnel costs and rent. This is how we at UNIQLO provide such high-quality clothing at such reasonable prices.
UNIQLO’s R&D centers are constantly researching the latest fashions and lifestyles around the world as well as looking for new materials. Concept meetings are held roughly one year before a product launch. At these meetings, R&D designers meet with representatives from the merchandising, marketing, materials development and production departments for discussions and determine the concepts for upcoming seasons. Based on these concepts, UNIQLO’s R&D centers prepare countless designs and sample products.

UNIQLO secures a stable, high-volume supply of top-quality materials at low costs by negotiating directly with material manufacturers. Materials development is especially important for core products. We source denim to specific spinning and dyeing specifications from the world-renowned Kaihara Corp. and develop new functional materials, such as HEATTECH, with synthetic fiber maker Toray Industries Inc.

Merchandisers fulfill a vital role from product planning through production. Having first met with the R&D designers, merchandisers then apply the concepts for each season in determining product plans, materials and designs.

Next, merchandisers decide the product lineup and volume for each season, paying particular attention to our meticulously crafted marketing strategy.

One other important task for our merchandisers is to decide when to increase or reduce production during a season. Decisions to adjust production in line with demand are taken jointly with the product planning department.
UNIQLO has assigned about 250 staff and takumi, or expert textile craftsmen, to overseas offices in Shanghai, Shenzhen, Ho Chi Minh City and Dhaka. Staff in charge of production visit partner factories each week to resolve any issues that arise. Customer concerns regarding quality are communicated immediately to production departments and improvements are made promptly.

“By offering instruction on dyeing technology to UNIQLO’s partner factories, I can encourage workers to embrace a new production management philosophy and improve their factories. Our cultures may be different, but our aim is the same—to make good products. I am proud to pass on expert Japanese techniques to the next generation of Chinese technicians.”

Kazuaki Iida
Dyer Takumi

Approximately 85% of UNIQLO products are manufactured in China. Having expanded its global sales network in recent years, UNIQLO is actively expanding production in other Asian countries, namely Vietnam, Bangladesh and Thailand, in order to reduce reliance on China and lower costs. In the future, we aim to position one-third of production outside China.
The spinning begins with the unraveling of raw yarn materials. Cotton is blended from multiple localities to ensure quality.

Computer-generated test colors are adjusted by skilled craftsmen with an eye for slight differences in color shade.

The sewing process begins with cutting, followed by machine sewing, which requires both precision and patience.

Ironing and packing are performed with great care. Quality and safety inspections are conducted several times.
Inventory Control
Inventory Control maintains the optimum level of store inventory by monitoring sales and inventory at stores on a weekly basis, and dispatching necessary inventory and new products to stores to fill their product orders. At the end of seasons, Inventory Control works with merchandisers and marketing to coordinate the timing of markdowns to ensure that inventory is completely sold.

Marketing
Each season, UNIQLO conducts promotional campaigns for core products such as fleece, down jackets, polo shirts or HEATTECH. During the campaign, UNIQLO advertises core products’ unique qualities and newsworthy features on TV. Weekly flyers in national newspapers on Saturday offer the latest apparel at weekend-only limited-offer prices, generally 20% to 30% below regular prices.

Online Store
Access UNIQLO’s online store at: http://www.uniqlo.com/jp/

Customer Center
The Customer Center receives more than 70,000 opinions and requests annually from customers via telephone, postcard and e-mail. These are forwarded to the appropriate departments to help improve products, stores and services.

Promotional flyer
TV commercial
Customer Center
UNIQLO Japan Stores

UNIQLO started as a chain of roadside stores with a typical sales area of 500 square meters per store. The subsequent upgrading of most stores to 800 square meters meant that we could display a richer array of products. Today, we are opening primarily large-scale stores of 1,600 square meters. Of a total 808 stores at the end of August 2010, 102 stores were large-scale stores, accounting for approximately 20% of UNIQLO Japan sales.

UNIQLO is also focusing on developing large-scale stores in urban locations, such as the UNIQLO Shinjuku Takashimaya Store, with a sales floor of 1,600 square meters, opened in April 2010. This was followed by the October 2010 opening of our first global flagship store in Japan, the Shinsaibashi store, with a sales area of 2,600 square meters. We plan to expand our large-scale store network to 200 stores, at a pace of 30 new stores per year.
UNIQLO: Expanding Overseas

To Become the Top Brand in Asia on the Way to Being the World's Number One Apparel Retailer

UNIQLO’s Shanghai global flagship store, launched in May 2010, has been a resounding success with crowds flocking to the store launch. Located on a prominent corner of the city’s main fashion street, Nanjing West Road, the Shanghai flagship is expected to generate explosive growth as UNIQLO’s hub for promoting the brand in China.

In order to become a leading world brand, UNIQLO must first become the dominant, number-one player in Asian markets. Since entering the Chinese market in 2002, UNIQLO has expanded its Asian store network to cover Hong Kong, South Korea, Singapore, Taiwan and Malaysia. UNIQLO International already generates approximately 70% of its total sales in Asia.

The reason why other competing brands such as H&M and Zara grew so rapidly over the past 10 years is because they looked beyond their domestic borders and expanded into international markets. We are also looking to generate similar growth by opening stores across the globe. At the end of fiscal 2010, UNIQLO’s global store network had grown to 136 stores, which generate only 10.7% of total UNIQLO sales. Our current aim is to have UNIQLO International sales surpass total UNIQLO Japan sales.
Flagship Stores Boost the Brand

UNIQLO is seeking to build its brand through its network of global flagship stores. Global flagship stores serve as hubs to get out the UNIQLO message and concept of high-quality basics, while showcasing what sets UNIQLO apart from competitors such as H&M, Zara or Gap. The first global flagship store opened in New York’s Soho area in fall 2006. Since then, global flagship stores have opened in London, Paris, Shanghai, and Osaka’s Shinsaibashi area. Preparations are now underway to open another global flagship store on New York’s Fifth Avenue in fall 2011.
Shanghai

Global Flagship Store
Opened in May 2010
As store manager at our Shanghai global flagship store, I believe that UNIQLO’s success here will prove a great launching pad to expand our nationwide store network. More than anything, I think that Chinese customers appreciate UNIQLO’s superior service. The key to this store’s success has been UNIQLO’s ability to apply its Global One approach to business management, under which we adopt the best methods from around the world. Making sure customers don’t have to wait at checkout, keeping the store displays tidy, ensuring that there is always an ample range of sizes—it is the patient and persistent attention to these details that has successfully won over customers.

The most important part of my job is to instill this Global One ethic in our staff. A staff manual is not enough. China and Japan differ culturally, and the motivation and attitudes of staff also differ. I have to explain concepts repeatedly to bridge these differences and achieve the same level of heartfelt UNIQLO service we practice in Japan.

The Chinese market is poised for dramatic expansion. I expect the UNIQLO store network to grow in tandem with this. UNIQLO will require people who can firmly implement the Company’s Global One management ethic. My mission is to train many good Chinese store managers from among our staff here in China.

When I consider the potential impact of my performance here on our future strategy in China and Asia, it drives home the significance of the work I am doing. I am confident that through open and frank communication we can overcome cultural differences. Although it takes time and effort to train good managers, it is great fun and one reason that I really love my job. When I think of the future and imagine the staff I have trained driving UNIQLO in the future, it is all worth it.

Fostering Store Managers Who Embody UNIQLO’s Core Values

Tomokazu Kurose
Store Manager
UNIQLO Shanghai West Nanjing Road Store
Interview

There is more to store development than simply renting land or securing space. First, you have to consider whether a specific location can work. Knowledge of the property market is not enough.

An understanding of the UNIQLO brand and business is crucial to conveying our growth potential and corporate vision to landowners and developers.

When developing new stores, UNIQLO has not pursued a strategy of trying to dominate by opening multiple stores in a concentrated area. Rather, UNIQLO has tried to cover a broader area, placing each store in its own space to avoid overlap. In choosing a location, we consider a range of factors,
A Large-scale Store Business Model

As Japan’s leading apparel retailer, UNIQLO established a nationwide store network of mainly suburban, roadside stores, only venturing into the urban arena in 1989 with a store in Tokyo’s trendy Harajuku district. This Harajuku store was the catalyst that boosted the popularity of UNIQLO. From 2004, new store openings expanded rapidly, riding on the heels of the growing commercial shopping center boom. From 2005, UNIQLO began developing large-scale stores. The focus of current store development is shifting from standard stores with sales floors of around 800 square meters, to large-scale stores with sales floors of around 1,600 square meters or more.

In the apparel industry, sales and profitability per square meter typically decrease as sales floor area rises. However, by boosting sales and reducing costs with a richer mix of products, particularly for women, UNIQLO has established a profitable business model for large-scale stores.

Through fiscal 2010, UNIQLO expanded to 102 its network of large-scale stores, accounting for about 20% of UNIQLO Japan sales. The company is expanding its sales-floor space by concentrating on new large-scale store openings, and scrapping mid-scale stores that may cannibalize demand in new store areas.

This repeated and meticulous approach to each individual store underpins the high level of profitability at UNIQLO. Heightened UNIQLO brand awareness has enabled us to open stores in sought-after locations such as Tokyo’s Ginza and Shinjuku areas. There are numerous plans in the pipeline to open stores in department store buildings and to continue new store penetration in urban areas. Using these locations, UNIQLO expects to attract new customers.

Currently, we are preparing to open further global flagship stores on New York’s Fifth Avenue, in fall 2011, and then in Ginza, Tokyo. To successfully open flagship stores in major cities, those of us in charge of store development must constantly be attuned—like a hunter in search of prey—to what is going on so that we don’t miss an opportunity.
Market for Women’s Wear Twice that of Men’s

Japan’s total apparel market is estimated to be worth 10.7 trillion yen.* Of that, the women’s wear market is worth 7.1 trillion yen, men’s wear accounts for 2.9 trillion yen and kid’s clothing 0.7 trillion yen. The women’s wear market in Japan is therefore more than double the size of the market for men’s clothing.

Starting as a casual wear shop for men, UNIQLO’s strength in men’s wear has helped it to achieve an 8.7% share of the 10.7-trillion-yen men’s segment. But UNIQLO’s share of the women’s wear market is a mere 4.1%. In light of these figures, it is clear that developing more women’s products holds the key to future growth.

Basic clothes are a core strength of UNIQLO, and no wardrobe is complete without them. UNIQLO believes that it can firmly capture the hearts and minds of women with clothes that offer the triple benefits of price, quality and style. UNIQLO aims to win over female customers of all ages by offering a reasonably priced, quality-finish garment range so attractive that no other competing brand can match it.

Note: The Japanese apparel market was calculated at 10.7 trillion yen based on the Ministry of Economy, Trade and Industry’s 2007 commerce statistics survey, covering department stores, supermarkets and clothing retailers. These figures do not include Japanese kimono and sleepwear, or accessories such as footwear and bags.

Developing More Attractive Women’s Wear

In the past, cotton T-shirts, sweaters, jeans and innerwear featured strongly in UNIQLO’s product mix for women. However, over the past few years, UNIQLO has worked to branch out by developing new items, including dresses, skirts, blouses, jackets and leggings. At UNIQLO, we are maintaining our popular basic items and developing new products—such as our Bra Top range—that have the power to change the lifestyles of women. Our designers and merchandisers share a passion for the challenge of creating new clothes.

In fiscal 2009, the proportion of total sales derived from women’s wear overtook men’s wear at UNIQLO Japan for the first time. Many harbor high expectations for the challenging but exciting work we have begun at UNIQLO to expand our range of products for women.

Interview

Mayoko Ito
Women’s Designer
Product Development and Merchandising
UNIQLO Co., Ltd.

Designing Clothes with a Contemporary Feel

The mission of UNIQLO designers is to create clothes of simple design and silhouettes with a contemporary feel. I want to create clothes that focus on design, but also clothes that are comfortable to wear and of high quality. As a designer, I feel the most joy when customers of all ages are impressed by how wonderful a particular garment is.

I worked at major apparel designer brands and as a designer in Paris before joining UNIQLO. But working at UNIQLO brings home just how difficult it is to design basic clothes with a contemporary touch. Basic does not mean safe, passable clothes. The creation of true basic clothing is an art that requires attaining a delicate balance.
and means incorporating just the right touch so that the clothes impress everyone. To achieve this, the sensibilities of individual designers are of course important. At the same time, I also believe it is important to be in touch with current global trends. I watch the latest trends and read newspapers and magazines in Japan as well as when I travel overseas.

Overseas the pursuit of individuality is very important when it comes to fashion. I think this is driving the massive demand for UNIQLO’s basic garments as they are easy to coordinate. This is also why I feel global expansion is essential to our company’s future.

Compared to other apparel retailers, UNIQLO is meticulous when commercializing clothing, creating samples and conducting checks multiple times to ensure a properly finished product. We designers attend to the minute details—such as buttons, fasteners and tape—to achieve the most refined end product possible. I aspire to keep making quality clothing available at reasonable prices to delight our customers.
Six Years Since Our Global Quality Declaration

Since announcing our Global Quality Declaration in September 2004, UNIQLO has witnessed a significant shift in its brand image. Once seen as a brand offering low-priced clothing, today UNIQLO is now known for its quality clothing made from the world’s best materials. Since the declaration, the internal product development system has been overhauled and the company has left no stone unturned in its persistent, uncompromising drive to create clothes at reasonable prices, using high-quality and functional materials.

In Search of the World’s Best Materials

In the past, you would have expected to pay several hundred dollars for a cashmere sweater. But today, UNIQLO cashmere sweaters can be had for under $100. By negotiating directly with global materials manufacturers and ordering in bulk, UNIQLO has succeeded in procuring high-quality materials such as cashmere, American Pima cotton and premium down at comparatively low costs.

New Functional Materials to Create Demand

UNIQLO seeks to generate new demand by developing new functional materials in collaboration with fiber manufacturers. UNIQLO has developed innovative materials with its partners, including HEATTECH, which was created with synthetic fiber manufacturer and strategic partner Toray Industries, Inc. Incremental improvements over the years have assured the continued success of HEATTECH each season. Still, for a new functional material to have any value, it must be developed into a product that harnesses its specific attributes. For that reason, UNIQLO is committed to developing more and more functional products—such as materials that protect against UV rays, or materials with deodorizing properties—to fulfill the needs of customers.

HEATTECH Success: The Product of Unconventional Thinking

For two years from April 2007, I worked on site in UNIQLO’s Production Department. Together we made a revolutionary new product called HEATTECH. At first, I was struck by the extremely fast pace at which the work progressed at UNIQLO. I felt that many of the things that UNIQLO was asking for were just impossible and I would often struggle to explain these requests to people back at Toray. Obviously, apparel manufacturers and materials manufacturers bring different approaches to creating new products. Still, we knew that UNIQLO was confident that Toray would succeed, so we just persisted until we found a way.

Toray initially provided HEATTECH
material to make warm winter innerwear, but the original product was considered too hard for women’s innerwear. We then made many improvements, developing a softer material that was a mix of acrylic, rayon, polyester fibers and milk protein. It was technically very difficult to develop material that both generated and retained heat while maintaining a dry, soft feel. Then, on top of that, HEATTECH material needed to be easy to dye bright and appealing colors. The success of HEATTECH was due to two companies from different industries being willing to think outside the box and work together. Naturally, we are keen to collaborate to further abandon convention and invent more innovative materials.

UNIQLO and Toray Strategic Partnership
Toray Industries and UNIQLO partnered in 2006 to develop innovative products to meet customer needs. In 2010, the two companies agreed to a second five-year strategic plan, under which they are looking to expand their alliance globally. Together the firms aim to engage in business transactions worth 400 billion yen over the five-year period from 2011 through 2015.
The +J collection is a groundbreaking collaborative project launched with internationally acclaimed fashion designer Ms. Jil Sander, known for her eponymous luxury brand. Since the collection débuted in October 2009, it has enjoyed an enthusiastic following in the world’s fashion cities including Tokyo, Paris, London, New York, Shanghai and Hong Kong.

+J is the ideal marriage of purity and sophistication. Hailing from polar ends of the fashion spectrum, luxury and democracy are now united by a common philosophy: Style is not for an elite few, and fashion can look beautiful on everyone. We have thrown down the gauntlet, seeking to create fresh styles and new clothing for the future — this is the true embodiment of the +J concept and its theme “Open the Future” — a shining example of the even brighter future that awaits UNIQLO.

‘Basics need to be redefined constantly. They are the product of an ongoing experiment with new materials and fresh inspirations.’ — Ms. Jil Sander
I am overwhelmed by what we achieved in such a short time. From the first day, had a large fan community confident in finding what they were looking for. I am very happy that we didn’t disappoint them and that the pool of customers is growing constantly. I think that my vision of quality fashion for everyone is on a good path, even though there is much left to do and to improve. We have been graced with a lot of positive press coverage in every country where is on offer. This is a strong incentive to broaden the line and to keep raising its standard.

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The collection is bringing change to UNIQLO. How will this affect the future of the company?

UNIQLO is exploring future possibilities based on . Both an exceptionally talented and creative team as well as time will be required to make UNIQLO’s highly visionary and idealistic concepts a reality.

We will do everything step by step. You need to study the repercussions of what you did in order to progress intelligently. The new core of UNIQLO needs to be firmly established before we expand. But is indeed a laboratory for future possibilities of UNIQLO. We are looking for new providers, we develop new procedures, and we are in the process of drafting a new brand identity. Once, the DNA is regenerated, it can be implemented on a larger scale. But you need a well trained creative force of textile engineers, pattern-makers and design assistants to translate advances into the whole of UNIQLO. All this takes a bit of time, you have to change the wheel of a vast machinery while you keep driving. If UNIQLO succeeds with the plan to expand in the west in a major way, the matrix of what the company has to offer needs to be in place. I see the possibility of becoming a major brand worldwide with an agenda that is truly visionary, idealistic and in tune with the morals of the democratic 21st century: affordable fashion which is beautiful, sophisticated and of the best possible quality: clothes for all people.