UNIQLO

Business Model
Global Expansion
Asia
United States
Japan
UNIQLO was the first company in Japan to establish an SPA (Specialty store retailer of Private label Apparel)* model encompassing all stages of the business—from design and production to final sale. By continuously refining its SPA model, UNIQLO successfully differentiates itself from other companies by developing unique products. We quickly make adjustments to production to reflect the latest sales trends and to minimize store-operation costs such as personnel expenses and rent. This is how we at UNIQLO provide such high-quality clothing at such reasonable prices.

* 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.
Research & Development (Designers/Pattern makers)
UNIQLO’s R&D centers continually research the latest fashions and lifestyles from around the world as well as look for new materials.

Concept meetings are held roughly one year before a product’s intended launch. On these occasions, R&D designers meet with representatives from the merchandising, marketing, materials development and production departments to discuss and finalize concepts for upcoming seasons. Then UNIQLO’s R&D centers prepare designs and continue to refine samples until each product is finalized.

Merchandising
Merchandisers play a vital role from product planning through production. After meeting with the R&D designers, merchandisers then apply the concepts for each season in product plans, materials and designs.

Next, merchandisers decide the product lineup and volume for each season, paying close attention to a detailed 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 made jointly with the product planning department.
Materials procurement | Material development

Development and Procurement of Materials

UNIQLO secures a stable, high-volume supply of top-quality materials at low cost by negotiating directly with materials manufacturers. Indeed, because of our large-lot orders of single materials, UNIQLO can negotiate the best procurement terms of any apparel manufacturer.

Since implementing our Global Quality Declaration in September 2004, UNIQLO has become more attentive to the quality of its materials and this has led to the development of new products including HEATTECH, premium down, cashmere and premium cotton shirts. We have placed particular importance on the materials used for our core items. Our persistent, in-depth research and experimentation has generated multi-layered improvements in terms of functionality, feel, silhouette and texture.

Take denim, for example. We source denim to specific spinning standards and dyeing specifications from the industry’s reputed Kaihara Corporation.

We have also created new, revolutionary products such as HEATTECH by developing fiber and materials jointly with synthetic fiber manufacturer and strategic partner Toray Industries. We can work with materials manufacturers in this way because we produce over 600 million items annually.

In the eight years since making our Global Quality Declaration, UNIQLO’s brand image has been transformed from a retailer of low-priced clothing to a retailer of high-quality clothing made from functional materials and superior fabrics.

UNIQLO’s Strengths

In Search of the World’s Best Materials

One of UNIQLO’s key strengths is offering reasonably priced garments made with luxury materials such as cashmere, Supima cotton, Merino wool and premium down.

You might expect to pay several hundred dollars for a cashmere turtleneck sweater, but at UNIQLO you can easily find one for under 100 dollars. This UNIQLO strength is underpinned by our ability to negotiate directly with global materials manufacturers and secure mass-volume orders at low costs.

New Functional Materials to Create Demand

Another key UNIQLO strength is our ability to develop new functional materials jointly with materials manufacturers and use them to make clothes that everyone can afford.

UNIQLO developed its innovative HEATTECH materials with Toray Industries. Steady improvements over the years have resulted in superb high-quality garments. Today, products such as HEATTECH (which enables you to wear thin, light clothing during cold winters) are transforming people’s lives.
The Evolution of HEATTECH

HEATTECH thread is made up of a combination of four fibers: acrylic, rayon, polyester and polyurethane. The first HEATTECH items, launched in 2003, were considered by some to be too unyielding for innerwear. By softening the acrylic and rayon fibers, we achieved HEATTECH’s renowned soft, silky feel.

The original HEATTECH combined the moisture-absorbing and fast-drying properties of polyester with macaroni-shaped hollow cotton thread that retained heat in the pockets of air within its fibers.

We replaced the hollow cotton thread with a fiber that combined rayon with micro acrylic ten times thinner than a strand of human hair. The result was a soft, dry feel. The basic HEATTECH material was now complete.

By developing new micro rayon in 2010, we made the thread even thinner and improved the feel. In 2012, we improved HEATTECH’s moisture absorption and release functionality and added a new deodorizing function.

Global Quality Declaration September 2004

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Quality and Production Control

UNIQLO deploys about 300 staff and takumi, or expert textile artisans, to offices in Shanghai, Ho Chi Minh City, Dhaka and Jakarta. Production managers visit partner factories each week to resolve any outstanding issue. Customer concerns regarding quality are communicated immediately to production departments, and improvements made.

UNIQLO Takumi Teams

“By offering instruction on dyeing technology at UNIQLO’s partner factories, I 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 truly good products. I am proud to be passing on expert Japanese techniques to the next generation of Chinese technicians.”

Expanding Our Production Network

UNIQLO has around 70 partner factories, and roughly 70% of UNIQLO products are made in China. As our global sales network continues to expand, UNIQLO works to actively expand production in other Asian countries in order to reduce reliance on China and to lower costs. Our aim is to position one-third of production outside China.

UNIQLO Production Offices

Perfecting Products by Shifting to On-site Decision-making

The majority of the Japanese employees in the Production Department have now moved to Shanghai where they can manage the manufacturing process on the spot. Producing a new product involves many stages. The first sample is modified repeatedly before going into mass production. With orders for several million pieces, we have to guarantee the same quality across many different factories in China, Vietnam, Bangladesh and Indonesia.

It is important to revise and perfect samples swiftly at the factory. That gives us a longer lead time before mass production and enables us to sort out any subsequent problems with materials, etc. Facilitating on-site decision-making will become increasingly important as we expand production further outside of China. Shifting the control tower to the factory is certainly helping to perfect our product creation process.

As local employees from China and Bangladesh are promoted and manage the manufacturing process themselves, it will be incumbent upon us to ensure they adhere to a strict UNIQLO control system that is implemented uniformly around the world. Training global personnel is one of my missions.

Director, Production Department
UNIQLO Co., Ltd.

Tetsuya Fukuhara
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.

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
The Inventory Control Department maintains the optimum level of store inventory by monitoring sales and stock on a weekly basis, and dispatching necessary inventory and new products to fulfill product orders.

At the end of each season, merchandisers and the marketing department help coordinate the timing of markdowns and limited-period sales (20 to 30% off the regular price) to ensure that inventory is sold out.

Marketing
Each season, UNIQLO conducts promotional campaigns for core products such as fleece, Ultra Light Down jackets, polo shirts and HEATTECH. During the campaigns, UNIQLO advertises these core products’ unique qualities and newsworthy features on TV and in other media. In Japan, for example, weekly flyers in the Saturday edition of national newspapers promote the latest apparel, which is being sold at weekend-only prices.

Online Store
Sales from the UNIQLO Japan Online Store totaled 20.6 billion yen, or 3.3% of total sales for the segment, in fiscal 2012. We also offer online sales in China, Taiwan, South Korea, the U.K. and the U.S.

Customer Center
The Customer Center receives more than 70,000 comments and requests annually from customers. Appropriate departments then act on them to help improve products, stores and services.
UNIQLO Stores

UNIQLO began as a chain of roadside stores with typical sales floors of 500 square meters. We subsequently upgraded most stores to 800 square meters and then focused on opening large-format stores of 1,600 square meters. In fall 2001, UNIQLO began expanding internationally. We started opening global flagship stores in earnest from 2006. By August 2012, approximately 20% of stores were large-format stores, with six stores boasting floor spaces of 3,300 square meters.

Roadside UNIQLO store

Sales of Major Global SPA Firms

Note: Compiled using data from annual reports converted at August 31, 2012 exchange rates.
UNIQLO’s Global Expansion

UNIQLO Global Flagship and Hotspot Stores

UNIQLO Paris Opera Store

UNIQLO 311 Oxford Street Store, London

UNIQLO Shinsaibashi Store, Osaka

UNIQLO Paris Opéra Store

UNIQLO 311 Oxford Street Store, London

UNIQLO Shinsaibashi Store, Osaka

UNIQLO International Store Network

15
2002

26
2003

9
2004

14
2005

30
2006

39
2007

Fiscal year-end

UNIQLO Shanghai West Nanjing Road Store

UNIQLO Mingyao Department Store, Taipei

UNIQLO Myeongdong Central Store, Seoul
Driving for Global Expansion and Recognition as a Global Brand

There are great opportunities for UNIQLO all over the world. We are bringing UNIQLO to the attention of more and more people globally and are offering them the products and services that are just right for them. We are opening flagship stores in major cities worldwide, as well as aggressively opening first stores in markets where UNIQLO currently has no presence. This strategy is fast transforming UNIQLO into the most prominent fashion retailer in the world.
Expanding in Asia, the World’s Growth Center

UNIQLO International has been the key driver of the Group’s recent growth, with the greatest contribution coming from Greater China (China, Hong Kong and Taiwan) and South Korea where we have pursued an aggressive store-opening policy. This trend is likely to continue, given the fact that two-thirds of the world’s population lives in Asia. Our first UNIQLO store in the Philippines, opened in June 2012, was greeted with the same enthusiasm as our first stores in Singapore, Malaysia and Thailand. Sales at the Philippines store in the first three days were some of the highest we have on record. I was struck by how enthusiastically Asia is embracing the UNIQLO brand.

UNIQLO’s strength lies in the high quality of its products and the attentiveness of its service, both characteristics for which Japan is renowned. UNIQLO’s brand power stems from this reputation along with a high level of popularity in its home market. I believe UNIQLO has destroyed the previously universal conviction that “good clothes are expensive and cheap clothes are bad.”

Most people who buy something at UNIQLO become loyal customers. It is not only the feel and the design of our clothes that attracts them, but also our neat and fresh store interiors, the quick and efficient checkout process and the impeccable service. Going forward, we must refine the strengths that are derived from our SPA-business model, but we must also offer more of UNIQLO’s uniquely Japanese services to customers worldwide.

Opening stores in global markets involves risk, but the risk of ignoring the fast-growing markets in Asia would be infinitely greater. I want to accelerate our development in countries with growing high- and middle-income populations. I believe the greatest risk of all would be to hesitate.

Creating the Right Production Systems to Tackle New Markets

We have not opened any stores in Indonesia yet, but one out of every two people there already knows UNIQLO. This is strong evidence that interest in the UNIQLO brand has reached a high level in Asia, even in places where we do not have any store presence.

India, currently the second-most populous nation in the world after China, is expected to become the most populous in 2026. Given that assets and power are tending to flow from the world’s most advanced nations into rapidly growing emerging nations, UNIQLO should develop a presence within them as soon as possible.

To that aim, we are working to establish an appropriate manufacturing infrastructure close to the end market.

Furthermore, plans are already well underway for the opening of our first store in the Southern Hemisphere, in Australia.

We want the UNIQLO brand to be trusted and valued, and our stores to be welcomed the world over. We will work to refine our products and customer service, to ensure that customers in our stores everywhere get to see the very best of UNIQLO.
Number One in Asia, Then Number One in the World
UNIQLO in the United States

The broad appeal of the UNIQLO San Francisco Union Square Store
Boosting Brand Visibility by Opening More Shopping Mall Stores

Success in San Francisco and New Jersey Paves the Way for Expansion
UNIQLO opened its first store on the West Coast of the United States in October 2012, in San Francisco. The store attracted great interest from the outset, and the clothes, with their MADE FOR ALL appeal, proved extremely popular with a broad range of customers of various ages, professions, ethnicities and lifestyles. San Francisco is home to many technology companies, and many of our customers honed in on the HEATTECH and Ultra Light Down ranges as examples of sophisticated Japanese technology.

Online sales and other types of digital marketing are comparatively advanced in the United States. We want to develop our own digital marketing business using San Francisco as a base, so we launched online sales in October. Although we have not announced the launch officially, the number of online orders has consistently outstripped our expectations. There are still several issues to resolve, but, as people across the United States hear about our online store, I hope to develop online store sales into a significant revenue-generating business for UNIQLO USA.

In September 2012, we opened a store with a floor space of 3,300 square meters in the popular Garden State Plaza Mall in New Jersey. The store has generated a great deal of interest, with over 1,000 people queueing outside on opening day. Our confidence is growing with every new store. U.S. shopping malls attract large numbers of customers and account for a considerable percentage of the nation’s total retail sales. The success of the UNIQLO Garden State Plaza Store has attracted the attention of other developers, and that should make it easier for us to accelerate the opening of new outlets in other shopping malls in the United States.

Aiming for a Highly Profitable Chain Network
The dazzling openings in fall 2011 of the flagship New York Fifth Avenue Store and the New York 34th Street megastore dramatically increased awareness of the UNIQLO brand. These New York stores generate some of the highest sales per store, but, in view of their location and ability to attract customers, we should be able to boost their performance further.

Going forward, I would first like to establish chains of approximately 30 stores in both New York and San Francisco by opening 10 stores annually in each location. If we can achieve that, then we should be able to pursue further expansion by considering each city in turn.

Both effective training of personnel and store development are key to future growth. Customers have grown to love UNIQLO’s superior customer service, and so we diligently train personnel who share UNIQLO’s core values derived from Japanese culture. On the store development side, I want to create a highly profitable network by developing efficient, low-cost stores, just as in Japan. We have been approached by many developers asking us to open new stores, and we will likely open them at a faster pace from now on. For us, the ballgame is just beginning.

Group Senior Vice President, Fast Retailing Co., Ltd. CEO, UNIQLO U.S., Fast Retailing USA, Inc. Shin Odake
UNIQLO in Japan

Boosting Our Urban Market Share with Unique Retail Formats

In 2009, UNIQLO began opening more stores in prime urban locations and in high-end department stores. Such establishments have proved popular, generating strong sales, broadening UNIQLO’s customer base and raising its brand value.

In September 2012, we joined with leading consumer electronics retailer BIC CAMERA to open the BICQLO Shinjuku East Exit Store. This first “global hotspot store” is fast becoming a popular landmark in Shinjuku, and we have been providing plenty of exciting in-store entertainment to ensure that it really is a “hotspot.”

According to statistics from Japan’s Ministry of Economy, Trade and Industry, sales at Japan’s department stores, supermarkets and apparel retailers totaled 10.7 trillion yen in 2010. Extrapolating from that data, UNIQLO had a 5.6% share of this overall market, including a 9.0% share of men’s wear and a 4.0% share of women’s wear.

Large-scale Store Business Model: Total Shop Floor Space Continues to Rise

UNIQLO became Japan’s leading apparel retailer by developing a network of primarily regional roadside stores. We began opening stores inside shopping centers in earnest in 2004, and then large-scale stores of over 1,600 square meters from 2005. Today, we are gradually expanding our total sales space by focusing almost exclusively on large-scale stores and avoiding any cannibalization of business through the closing of regular-sized locations.

In the apparel industry, sales and profitability per square meter in a given store typically decrease as sales floor area increases. However, UNIQLO has developed a successful business model for profitable large-scale stores.

UNIQLO ventured into the urban arena in 1998 with a store in Tokyo’s trendy Harajuku district. In fiscal 2000 and 2001, a 1,900 yen fleece campaign set off a surge in UNIQLO popularity, producing a spike in sales per square meter, as shown in the graph opposite. Since then, we have managed to maintain a high sales per square meter of approximately one million yen per year.
Expanding Our Urban Presence to Become Japan’s Top Brand

UNIQLO Ginza Store, the largest global flagship, opened in March 2012
What Our Customers are Saying

Shopping at UNIQLO is great because the sales assistants offer the same polite, heartfelt service as in Japan.
33-year-old woman, U.K.

UNIQLO has the coolest stores in New York.
27-year-old woman, U.S.

The quality of the backstitch and lining are amazing for the price.
24-year-old woman, South Korea

It is hot all year round in Thailand so you don’t need to display seasonal ranges to match those in Japan.
45-year-old man, Thailand

There are clothes to suit all ages. My whole family are big fans.
58-year-old woman, China

HEATTECH has kept me really warm in the cold weather.
23-year-old man, South Korea

I love wearing the bra tops every day because there are so many different colors.
30-year-old woman, Hong Kong

Alterations are free and only take 20 minutes. Wow!
37-year-old woman, U.K.

It would be easier to buy things if the sizes were written in centimeters and inches.
32-year-old man, Singapore
Voices are UNIQLO’s Power Spreading Satisfaction around the Globe

The assistant at the counter was so great when I came in to return some clothes. It made me want to buy something else.
22-year-old woman, Malaysia

There are only ever small sizes left. I want larger sizes—a Russia size 50, please.
48-year-old woman, Russia

I love UNIQLO jeans. This is my second pair and I’m really happy with them.
17-year-old woman, France

It is amazing that you can put the washable cotton knit clothes in the washing machine. I love the colors and quality as well.
39-year-old man, South Korea

The assistants are so kind and cheerful. I always feel good when I shop here.
27-year-old man, China

I am impressed by the clean feel of the store, and the displays are so neat and organized.
28-year-old woman, U.S.

I love UNIQLO’s Power Spreading Satisfaction around the Globe

It’s a shame that there are only two stores in Paris. When will we be able to buy things online?
48-year-old woman, France

The summers are hot and humid in Hong Kong. I wish you had some women’s Easy Leggings pants with special drying functionality.
34-year-old woman, Hong Kong