UNIQLO LifeWear: Ultimate Clothes for Every Day

UNIQLO’s overriding aim is to create comfortable everyday clothes that enrich peoples’ lives. UNIQLO LifeWear is completely different to what other apparel brands are offering. It is a new, unique category of truly great clothing, offering high-quality, fashionable everyday items at prices that everyone can afford—the ultimate everyday wear to make your life better.

A New Supply Chain Designed for Digital-powered Retailing

Today, everyone of all ages uses the internet, and that is dramatically influencing the way we shop. To stay abreast of changing needs, clothing manufacturer-retailers like ourselves have to mold a new, dynamic industry unfettered by conventional barriers between business fields.

Developing a comprehensive digital-powered retailing business model is definitely the right strategy. That means transforming our supply-chain system and using digital technology to capture a broad picture of true customer needs and to communicate directly with individual customers. That information, combined with opinions gathered from UNIQLO stores and store managers, can help us create the ultimate LifeWear. Shifting to a digital-powered retailing format can help speed up our business cycle, greatly reduce production lead times and enable us to deliver the exact products customers want, when they want them.
Bringing Together Physical and Digital

Seamless Physical and Online Store Network Ensures UNIQLO is Always Accessible

In order to build a digital-powered retailing supply chain, we must integrate our “real” stores and “virtual” online sales operation. Online sales currently account for 5% of total sales. We aim to expand this to 30% by launching services that enable consumers to buy UNIQLO goods whenever and wherever they want.

We recently established a new distribution system—we needed to overhaul our logistics to successfully expand online sales. Offering online customers the convenience of same-day or next-day delivery, or the opportunity to pick up or return online orders at their nearest UNIQLO store or local convenience store, will help them feel more closely connected to the UNIQLO brand.

Since opening our Ariake distribution center in Tokyo in April 2016, we have launched new distribution centers in 10 other locations around Japan, giving us greater logistical control. This is a new challenge for us, but we believe the new distribution system will not only promote online sales, but also boost distribution efficiency for UNIQLO as a whole.

We are now looking to revolutionize UNIQLO distribution worldwide. We want to swiftly establish similar distribution systems in markets such as China and the United States where online sales account for a larger, and growing, proportion of overall revenue.
Closer Two-way Communication with Customers

Advances in digital communication continue to impact the way we offer information to customers. Traditionally, UNIQLO Japan used flyers and TV commercials as its primary means of advertising. Going forward, we will be able to analyze customer data and provide them with information that best suits their individual needs. At the same time, I believe the honest opinions and demands of customers collected through direct communication provide the exact input and impetus we need to improve UNIQLO LifeWear.

Perfecting LifeWear with Custom-fit Clothes

Creating clothes that fit perfectly is an important part of UNIQLO’s ultimate LifeWear concept. We have already launched semi-made-to-order shirts and jackets for men, delivered a week after the order is placed. This service has generated extremely strong sales in the one year since it was launched. I want to introduce more semi-order made products so consumers can enjoy choosing the material, color, style or design of their sweater, the color or shape of their shirt, or the length of their dress.
Greater China and Southeast Asia Fuel Growth

Greater China and Southeast Asia, with growing store networks and stable profitability, will likely fuel UNIQLO International’s growth. UNIQLO’s fledgling European operation is now profitable. The first store in Belgium, opened in fall 2015, got off to a great start, and we are opening more stores in France and Russia. UNIQLO USA remains in the red, but business is steadily improving.

UNIQLO Greater China performed strongly in fiscal 2016. Revenue rose 9.3% year on year to ¥332.8 billion while operating income declined 5.5% to ¥36.5 billion. Warm winter weather and sluggish economic conditions knocked operating profit lower in the first half, but profits rebounded better than expected in the second half. While the Chinese economic slowdown is still impacting Hong Kong, Taiwan and South Korea, consumption and consumer support for the UNIQLO brand in Mainland China continues to rise. UNIQLO Greater China had 560 stores at end August 2016. By adding 100 stores annually, the size of the Greater China network will soon overtake Japan and reach our initial target of 1,000 stores.

Strong Management to Kick Start North American Success

Business reforms at UNIQLO USA started to bear fruit in the second half. Having scrutinized our new store strategy, we focused on openings in major cities and premium shopping complexes, and actively closed unprofitable locations. We strengthened digital marketing to help expand the comparatively profitable U.S. online sales operation. We also capped head office costs, standardized store operations and cleared out unwanted inventory.

The huge success of our first UNIQLO store in Canada, opened in Toronto in fall 2016, is a testament to the growing global awareness of and interest in UNIQLO. It is hard to build brand awareness swiftly in a region the size of North America with its diverse range of consumers and cultures. Having said that, a strong presence in the pivotal North American market is vital if we are to build UNIQLO into a leading global brand. We will address every issue in minute detail to set the North American operation on solid footing, and put UNIQLO on the path to becoming the world’s No.1 apparel brand.
Our easy-to-wear maxi skirt

UNIQLO JAPAN

New Pricing a Great Success

Attractive, Easily Recognizable Set Prices

In spring 2016, we decided to change our pricing strategy at UNIQLO Japan, introducing a limited number of attractive, instantly recognizable set prices, which remain the same whatever day of the week you shop. That move proved a good one, prompting a sharp uptick in sales and gross profit margin in the second half. While Japanese consumption remains fairly sluggish, customers appreciated the move to introduce straightforward, reasonable ¥1,990 and ¥2,990 price lines on core everyday wear.

Having introduced new price lines, we focused on marketing the high quality, unique features, feel and fashion of UNIQLO clothing—like the fresh, feminine appeal of stylish women’s skants and maxi skirts.

With online sales expanding, we have considered how best to integrate and synergize our “real” physical stores and “virtual” online sales structure. Vitally important is the training of in-store staff to ensure they can measure customers properly for custom-fit items, and better handle the delivery or return of items originally ordered online. In order to guarantee consistently high-level service, we continue to encourage contract staff to become permanent local store employees.

As part of our community-focused management, all UNIQLO Japan stores are now expected to establish deep roots in their local community. We concentrate on developing stores that meet the specific needs of communities, that participate in local events, and that work together with smaller retail outlets in the neighborhood to attract customers and preserve vibrant traditional shopping areas. I will do everything possible to ensure our customers love shopping in our stores, and our staff love working in them.
GU continued to grow strongly in fiscal 2016. Revenue expanded to ¥187.8 billion (+32.7%) and operating profit to ¥22.2 billion (+34.8%).

Ten years ago, in October 2006, when we opened the first GU store, we never imagined the brand would become such a fast-growing, profitable business. The key to GU’s success is its ability to instantly commercialize the latest popular trends into fun fashion items at amazingly low prices.

The GU and UNIQLO concepts are very different. The two brands complement, rather than cannibalize, each other. In fact, neighboring UNIQLO and GU stores tend to generate strong sales thanks to valuable synergies. Customers are really good at mixing and matching the two brands, selecting, for example, a plain merino sweater from UNIQLO’s bountiful color range, and coordinating it with a lace-patterned blouse from GU. I think we need more UNIQLO and GU stores located next to each other.

The challenge for GU will be improving staff training, organizational structure, product R&D, and low-cost store management. As GU sales increase from ¥100 to ¥300 billion and then ¥1 trillion, we will need to transform the company structure and business to accommodate growth at each stage. GU has overcome every developmental challenge to date, and I’m confident the brand will successfully attain its next annual sales target of ¥300 billion, and then the ¥1 trillion goal beyond that.

While there is plenty of opportunity to open more stores in Japan, expanding GU’s presence in international markets is also vital to future growth. Since opening the first store in Shanghai in fall 2013, we have expanded GU’s international network to 10 stores in Shanghai and Taiwan (August 2016). GU will take on a new market in spring 2017 with the opening of its first Hong Kong store.

Ten years on, I envision GU as a ¥1 trillion Japanese fast fashion brand.
Managerial Thinking at Every Level

For me, it’s important to inspire employees worldwide to work passionately according to our Global One and Zenin Keiei management principles. This means that all Group businesses are encouraged to share their success stories throughout the Group. And unlike traditional retail set-ups, where managers make decisions and in-store staff follow orders, all Fast Retailing staff, from in-store part-timers to top managers, are encouraged to adopt a managerial mindset and strive to provide customers with the best products and the best services.

Encouraging All Staff to Think Like Managers

“Changing clothes. Changing conventional wisdom. Change the world.” Our corporate statement is the basis of how Fast Retailing develops as a truly good corporate group. We want employees to channel their individual creativity into promoting innovation and providing customers with truly great clothing and truly impeccable service.

GROUP MISSION

- To create truly great clothing with new and unique value, and to enable people all over the world to experience the joy, happiness and satisfaction of wearing such great clothes
- To enrich people’s lives through our unique corporate activities, and to seek to grow and develop our company in unity with society


FAST RETAILING WAY FR Group Corporate Philosophy
Becoming the World’s No.1 Digital Apparel Retailer

Target ¥3 Trillion Sales, 15% OP Margin by 2020

It may seem ambitious at first glance, but I am determined that Fast Retailing achieve annual sales of ¥3 trillion and an operating profit margin of 15% by 2020. How? By transforming the company into a comprehensive digital-powered retailer, supported by a new information-driven, customer-centric business model.

Our three-pronged Group expansion strategy includes:
1. Promoting the future growth of UNIQLO International
2. Actively expanding online sales
3. Building GU into a second pillar brand with annual sales of ¥1 trillion

Simply focusing on expanding sales creates a bloated operation, so we must also secure strong profitability and a tight cost structure.

Greater China and Southeast Asia will likely serve as key drivers of UNIQLO International growth, as we open large numbers of new stores there. I intend to train local managers to operate their businesses with a large degree of independence and a strong community focus. In developing our online sales operation, I want to effectively integrate our physical and virtual resources to promote further expansion and efficiency.

I want to develop GU into a global brand by carefully positioning it in the fiercely competitive world of fast fashion, and by making its business operation more efficient.
Aiming to Be
World Number One

Back in 2000, Fast Retailing’s sales totaled roughly 20% of GAP’s. By 2015, they had grown to a comparative level. There are a number of successful global apparel manufacturing and retailing companies like us whose businesses span the entire supply chain from planning through design, production and retail, including GAP, Inditex (ZARA), H&M and L Brands. Our aim is to overtake these firms on sales to become the undisputed No.1 global apparel brand.

The LifeWear concept of comfortable everyday clothes differentiates UNIQLO from fast fashion brands such as ZARA and H&M. Most fashion brands chase the latest trends, but UNIQLO is striving for something quite different. I launched UNIQLO with the idea that clothes were parts you mixed and matched to suit your style. Individuality didn’t come from clothes, but from the person wearing them. I still believe that. Our customers want comfortable everyday clothes, quality clothes that fit well and feel good, clothes that make their lives better, fun clothes that help express their individual style. These are the clothes that UNIQLO will keep on making.

Strong Performance,
Strong Dividends

Our policy is to offer high dividends that closely reflect business performance. We use profits to fund future growth, while retaining earnings to ensure healthy finances and provide good shareholder returns. In fiscal 2016, we maintained our annual dividend at ¥350. Rewarding shareholders remains one of Fast Retailing’s most important objectives.