
Uniqlo: A Case Study on Creating Market Share with Affordable and Timeless Designs

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Abstract

The Japanese designer, manufacturer, and retailer, Uniqlo, is known for casual, high-quality clothing for very affordable prices. During the Japanese recession, the company was valued especially for its low prices. They soon expanded their business throughout Japan. Step-by-step, they expanded internationally and were then competing successfully with the major fashion retailers. Today, it is the fourth largest fashion retailer worldwide. Uniqlo made it possible to successfully educate countries worldwide, within less than 25 years, in its unique product strategy and it is still continuing to enlarge its business operations. By 2020, the company is aiming to become the world's biggest specialty retailer of private label apparel with a continuous growth rate of 20 %. The company's success can be explained by its initial success during the Japanese crisis. The consumer's demand for affordable but high quality clothing was high during this time of recession, as consumers had to cut back on expenditures. After this sudden success, Uniqlo's founder Tadashi Yanai managed to expand brand awareness and achieved success globally.

1 Introduction

The Japanese designer, manufacturer, and retailer, Uniqlo, is known for casual, high-quality clothing for very affordable prices. During the Japanese recession, the company was valued especially for their low prices. They managed to communicate this unique selling position and soon expanded their business throughout Japan. Shortly thereafter, the company was listed on the Tokyo Stock Exchange and

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became a wholly-owned subsidiary of Fast Retailing Co., Ltd. Soon, step-by-step, they expanded internationally and were then competing successfully with the major fashion retailers. Today, Fast Retailing is the fourth largest fashion retailer worldwide.

Uniqlo made it possible to successfully educate countries worldwide, within less than 25 years, in their unique product strategy and they are still continuing to enlarge their business operations.

By 2020, the company is aiming to become the world's biggest specialty retailer of private label apparel with a continuous growth rate of 20 %.

2 Company Profile

2.1 History

In June 1984, the Yamaguchi-based company, Ogori Shoji, opened the first “Unique Clothing Warehouse” store in Hiroshima City that was specialized in men’s wear (Uniqlo 2014a). Soon, the original brand “Unique Clothing Warehouse” got renamed to “Uniqlo”. They changed their product line into casual clothes for both men and women, and since Uniqlo’s product are comparably cheap, but still high quality, they had a major competitive advantage during the Japanese “Great Recession” in the 1990s by tailoring to citizens who were reducing their spending (Business Insider 2014). They soon gained popularity in the Japanese market.

The first Uniqlo roadside store opened only 1 year later, in 1985, and it enjoyed immediate success (Uniqlo 2014a). In 1991, Ogori Shoji Co., Ltd. changed their name to the by now well-known name Fast Retailing Co., Ltd. (Fast Retailing 2014b). Only 3 years later, Fast Retailing Co., Ltd already listed shares on the Hiroshima Stock Exchange. Three years after that, the first shares were listed on the Tokyo stock exchange.

Only 10 years after the first Uniqlo store had opened, 100 stores already existed successfully (Business Insider 2014). In 1998, the brand offered the “1900-yen fleece campaign”, which made the brand even more popular in Japan. Nevertheless, the brand experienced a periodic falling of sales and profits (Fast Retailing 2014j). As a result, the company started concentrating on expanding their line of women’s wear (Fast Retailing 2014j). Furthermore, it began changing their store strategy to large-format stores with gracious floor space located in urban areas, instead of emphasizing roadside stores in suburbs (Fast Retailing 2014m). With this in mind, they opened their first urban Uniqlo store in Tokyo. The headquarters also shifted to Tokyo in order to promote merchandising and marketing (Fast Retailing 2014b).

With this new strategy, Uniqlo started expanding outside Japan. In 2001, the first four overseas stores opened in London, and only 1 year later, in 2002, two Uniqlo stores were opened in Shanghai (Uniqlo 2014a). Moreover, the Uniqlo Design Studio was established as an independent organization with over 50 designers. In 2003, the newly-launched cashmere campaign, which is still a popular product of

Uniqlo, gained high consumer interest and popularity (Uniqlo 2014f). Next to establishing the Uniqlo Design Studio subsidiary in New York, Uniqlo opened 21 stores in the UK. Unfortunately, only eight of them remained open, because they failed to establish a brand identity first (Business Insider 2014).

To enhance their new strategy, they opened the first large-format Uniqlo store in Osaka in 2004 which had 1600 square meters of floor space. Later in the same year, Uniqlo entered a joint venture with Lotte Shopping Co., Ltd. (South Korea) in order to expand their brand to the South Korean area (Fast Retailing 2014c). Only 9 months later, in 2005, the first Uniqlo store in Seoul, South Korea, was opened. In the same year, new stores in New Jersey, Hong Kong, and Tokyo were opened. Moreover, Uniqlo expanded their product line to “Uniqlo Kids” and “Body by Uniqlo”, which is focusing on women’s underwear (Fast Retailing 2014d). Most importantly, Uniqlo adopted a holding company structure in order to develop new business opportunities (Fast Retailing 2014d). In addition, they formed a new strategic business partnership with Toray Industries, Inc. in 2006. In the same year, the first global flagship store was opened in New York (Fast Retailing 2014d).

In 2007, the brand opened another specialty store: the T-Shire store in Harajuku. Moreover, one of the largest Uniqlo stores was opened in eastern Japan. Additionally, another global flagship store opened in London in the same year. Furthermore, the expansion in South Korea was continuing and Uniqlo opened the first large-format store in South Korea. At the end of the year, Uniqlo managed to open a store in Paris, which was their first shop in France (Fast Retailing 2014d). Next to this, they developed the new “Uniqlo Heatech” clothing line, which led to a rise in sales and even more in popularity (Fast Retailing 2014e).

In 2008, Uniqlo established a joint venture with Wing Tai Retail Pte. Ltd. in order to be able to expand into Singapore. At the end of 2008, subsidiaries G.U. Co., Ltd., Viewcompany Co., Ltd., and Onezone Corp. merged and formed Gov. retailing Co., Ltd., which is a footwear business that operated under the name Uniqlo Co. Ltd in 2010.

In 2009, Jil Sander, who is a well known worldwide designer, signed a design contract with Uniqlo and launched their new line “J+” at the end of the year (Fast Retailing 2014d). Moreover, Uniqlo started signing affiliation contracts with celebrities, such as, for example, Shingo Kuneida, a professional wheelchair tennis player. In the same year, Uniqlo opened their third flagship store in France.

The year 2010 was another very successful year for the company. At the beginning of the year, they expanded to Russia and the first store opened in Moscow. Furthermore, two global flagship stores were opened. One was opened in China and another one in Japan. Additionally, Uniqlo expanded to Taipei and Kuala Lumpur. Later in 2010, Uniqlo established a joint venture with Grameen Bank in order to pursue a business initiative in Bangladesh (Fast Retailing 2014f).

In addition to contributing to several social activities, they opened new flagship stores in Taiwan, South Korea, and New York in 2011. They expanded to Bangkok, Thailand, and reopened the store in Tokyo to make it become the largest store with 3300 square meters of floor space. Additionally, Uniqlo launched a global

partnership agreement with the United Nations High Commissioner for Refugees (UNHCR) to further pursue ongoing company initiatives (Fast Retailing 2014g).

By 2012, Uniqlo was named the fourth largest retail apparel company and owned 1163 stores (Forbes 2012a). In this year, they expanded to the USA and the Philippines as well as opened a new flagship store in Tokyo. Moreover, they launched the new product line “Uniqlo X undercover” in cooperation with the “Undercover Fashion Label” (Fast Retailing 2014h).

In 2013, Uniqlo opened several new stores in Jakarta, Bangladesh, Hong Kong and in Shanghai (Fast Retailing 2014h).

Uniqlo became a popular and, most importantly, a steadily growing and expanding internationally operating company. According to their press release in January 2014, they launched a “pop-up store road” in Berlin, Germany, in order to connect with local communities and to introduce the brand to the new market. In April, they are going to open a new flagship store in Berlin. Next to France and the UK, Germany is already the third country in Europe where Uniqlo clothing is offered (Fast Retailing 2014i). Furthermore, they are planning on expanding their brand presence throughout the USA (Fast Retailing 2014i). Currently, Uniqlo ranks as one of the ten most valuable brands in Japan, according to the consultancy Interbrand (The Economist 2010).

2.2 The Founder

The founder of Uniqlo is Tadashi Yanai.

Yanai was born on the 7th of February, 1949, in Ube, Yamaguchi Prefecture, Japan. Yanai grew up living above the clothing store of his parents in Yamaguchi Prefecture in the southwest of Japan (Urstadt 2010).

Studying politics and economics, Yanai graduated from Waseda University in Tokyo with a Bachelor’s degree in political science in 1971 (4 Traders 2014). After graduation, he began working at a well-known shopping center, called JUSCO, but decided to resign 10 months later. In 1972, Yanai started to work at Ogori Shoji, which is a men’s clothing shop chain opened by his father (Tadashi 2003).

In 1984, he finally opened the first Uniqlo store in Hiroshima City and became the president of the company. After changing the name from Ogori Shoji to Fast Retailing, Yanai expanded the presence of the company to Harajuku in 1998. Since 2002, Yanai has been the CEO and Chairman of Fast Retailing (Tadashi 2003).

Today he is the wealthiest person in Japan with a net worth of 9.0 billion US\$ (Urstadt 2010). Yanai is married and has two children (Business Insider 2013).

2.3 Employees

Currently, Fast Retailing employs 59,617 employees in 21 countries and regions (Fast Retailing 2013a).

Uniqlo has severe regulations regarding their responsibility towards employees as well as employee behavior and training. It is their goal “to foster both corporate and personal growth by establishing environments that cultivate people into becoming capable of performing innovative work from a global perspective” (Fast Retailing 2010), as stated by the company Fast Retailing. They developed a training program in order to develop new strategies, give business insights, and help employees to understand their ideal of “Changing clothes. Changing conventional wisdom. Change the world”. Uniqlo expects every employee to share the same vision and work together, professionally as a team. In addition to this, it supports their view that every employee, regardless of their position, is able to acquire the way of thinking of an international manager, and hence supports the company with the same effort and motivation (Fast Retailing 2013a). Furthermore, Uniqlo’s employee franchising program gives store managers the possibility to become independent franchise owners. This is also an advantage for the company, since chances are greater for store managers to identify problems and issues concerning the whole Uniqlo organization more quickly. Standards can be set accordingly and will improve the overall performance for all of the firms’ stores (Fast Retailing 2013b).

The company describes itself as respecting the employee and interested in employee satisfaction. Uniqlo supports their employees with childcare and nursing care programs to enable them to remain even longer with their company (Fast Retailing 2010). Furthermore, they designed a rule which states that 4 days a week are “no overtime days”.

Moreover, they promote employee diversity. In 2001, Uniqlo started focusing on offering job positions for people with disabilities in Japan. In 2007, Fast Retailing, and accordingly Uniqlo, was awarded with the “Award of Merit for Supporting Second Challenges” for their efforts of hiring disabled people (Fast Retailing 2013c).

Uniqlo offers a universal wage system for shop managers and higher-ranked employees, which means that employees will be working under the same conditions in different countries and will hence earn the same amount of money (RocketNews24 2013).

Uniqlo puts distinct efforts into presenting their professionalism to the customer. Every employee, no matter in what position, has to go through several trainings offered by the company to ensure professional work behavior. Every employee working in a Uniqlo store has to go through a training every single day to remind them of their behavior and of the ways they were taught to interact with customers (New York Magazine 2010). Every advisor, which is how Uniqlo calls their employees who help customers in the stores, has to have a notebook with them to make notes on everything a manager tells them or on improvements suggested by the customer (New York Magazine 2010). To assure their professionalism, all employees are expected to additionally train their behavior and skills independently. To ensure this, every employee gets tested on a regular basis (New York Magazine 2010).

This professionalism is also expected from the upper positions. For example, a poster in every manager's office says "Always follow company directions. Do not work in your own way" (New York Magazine 2010). This emphasizes Uniqlo's shared vision and professionalism.

2.4 Product Range

In contrast to their main competitors, Uniqlo has a very distinctive business model. Instead of offering the newest fashion trends, they limit their product line to around 1000 basic items but offer them in various colors (The Economist 2010). By offering the same product line for a long time, they can strike far cheaper, higher-volume deals with their suppliers compared to other stores (The Economist 2010), and can therefore provide affordable high-quality clothing. Moreover, by offering casual clothes in different designs instead of frequently changing trend-inspired product lines, they hope to attract a larger target group. Uniqlo has already been proven successful with their basic lines and, since 2009, are trying to even extend their product line, such as with their J+ collection, to attract even more customers (The Economist 2010).

In general, Uniqlo is striving for a contemporary look, matching their slogan "Made For All". They target men, women and children. The product range can be divided into outerwear, knitwear, tops, bottoms, accessories, and underwear.

In the outerwear product line, they offer casual jackets, Blazers, jeans and their special product line Ultra Light Down. Looking at the design, it is certain that all designs are simple, without any special highlights and in plain colors. Ultra Light Down is a product line in the form of vests, jackets, and parkas, containing 90 % down and 10 % feathers to aim for a light but yet warm jacket.

The knitwear product line contains the well-known cashmere line, extra fine merino, cotton clothes and cardigans. The knitwear again is shaped by simplicity and versatility. The cashmere product line became popular due to the comparably affordable price in combination with high quality. It is available in different styles, colors, and cuts (Uniqlo 2014d). Extra fine merino, includes cardigans and sweaters in simple styles made from ultra fine fibers (Uniqlo 2014d).

The tops product lines contain all kinds of modest tops, including fleece and UT2014 product lines. The fleece product line includes printed as well as plain fleece T-Shirts and jackets. The UK 2014 product line appears less contemporary, with different tops with graphics based on famous comic-inspired characters (Uniqlo 2014b).

The bottom product line contains jeans, skirts, shorts, and leggings, all made from jeans or cotton in simple designs. The jeans vary from different formats such as ultra stretch, skinny, slim, regular, and relaxed.

The underwear product line varies from their Heattech product line, to regular underwear, socks, body shapers, and loungewear. Heattech combines innovative materials which "absorbs the moisture generated by the human body before

converting it into heat” (Uniqlo 2014e), which makes it an innovative attempt to develop advanced apparel.

In addition, Uniqlo also offers accessories which are marketed by practicability. This product line contains head accessories, scarves, stoles, ties, gloves, and belts. They are mostly produced in simple colors and with high-quality fabrics.

Additionally, Uniqlo offers a free App for the iPhone and Android containing exclusive app offers, a barcode scanner, and online shop access. Moreover, the customer has the opportunity to connect to the “uniqlommunity” which is a community that keeps the customer updated on recent events and product offers. The customer is also able to use a camera with different effects, gets updated on the weather forecast, and is able to use the “uniqlock” which is an alarm with integrated weather announcement and positive melodies to wake up to (Uniqlo 2014c).

2.5 Revenues

According to the 5-year financial summary published by Fast Retailing, Uniqlo had a net income of 90 billion yen in 2013. This is the highest net income for Uniqlo, regarding the years 2009–2013 (Fast Retailing 2014p).

In 2009, Uniqlo possessed a net income of 49 billion yen (Fast Retailing 2014p). The net income experienced a rise to 61 billion yen in 2010, but then decreased to a net income of 54 billion yen in 2011 (Fast Retailing 2014p). However, there was an increase of almost 20 billion yen net income in 2012 (71 billion yen). Finally, the net income of Uniqlo had an increase of almost 20 billion yen again (90 billion yen) (Fast Retailing 2014p).

2.6 Business Success Strategies

Uniqlo’s business strategy is composed of four main points: developing products of exceptionally high quality, becoming Japan’s top brand by expanding urban market share, a rapid international expansion, and Heatech (Fast Retailing 2014m).

2.6.1 Developing Products of Exceptionally High Quality

In order to ensure that the products are of exceptional quality, Uniqlo refined its SPA business model, the specialty store retailer of private label apparel, making it possible to control the whole business process (Fast Retailing 2014m).

The company bases its product development on customer feedback. This means that when the Uniqlo customer center receives comments, such as asking for another fabric, the company takes this into account and tries to implement the customer’s wishes (Fast Retailing 2014m). Moreover, Uniqlo’s Material Development Team can provide high-quality material at a low cost due to the direct negotiations with global manufacturers and economies of scale (Fast Retailing 2014m).

Furthermore, Uniqlo stresses the importance of implementing quality control in factory production technology and also in management (Fast Retailing 2014m). Consequently, a team of technical experts (Takumi Team) is sent to all partner factories in China in order to provide technical instructions. Additionally, supervisors from the Production Department, which is based in the Shanghai office, visit the partner factories weekly to check the quality as well as the progress of production (Fast Retailing 2014m).

2.6.2 Becoming Japan's Top Brand by Expanding Urban Market Share

Due to the fact that Uniqlo's brand image and appeal to the customer has improved, the company has become more and more attractive for developers of department stores and commercial buildings. Beginning in 2009, high-street and department store outlets were opened by Uniqlo (Fast Retailing 2014m). The biggest store in Japan was opened in September 2011 in the Ikebukuro's Tobu Department Store in Tokyo. These urban stores generate great sales and are of great popularity with customers, which is why it should expand the customer base and increase the brand value (Fast Retailing 2014m).

Although Uniqlo has been underrepresented in the urban centers of Japan with only few stores in relation to the population of major cities, including Tokyo, Osaka, Nagoya, and Fukuoka, the goal is to expand the urban market share by anticipating the opening of outlets and high-street stores in department stores and malls (Fast Retailing 2014m).

Moreover, from the overall market in Japan, Uniqlo had a 5.5 % share, comprising a 3.9 % share of the women's wear market in respect to an 8.9 % share of men's wear (Fast Retailing 2014m). Sales by product type compared to the Japanese apparel market can be found in Fig. 1.

Furthermore, Uniqlo began developing large-scale stores with the goal to extend the total sales floor-space in Japan (Fast Retailing 2014m). This represents a shift from standard stores with around 800 square meters to large-scale stores with 1600 square meters or more. Although sales and profitability per square meter tend to decrease when sales floor area increases in the apparel industry, Uniqlo has a

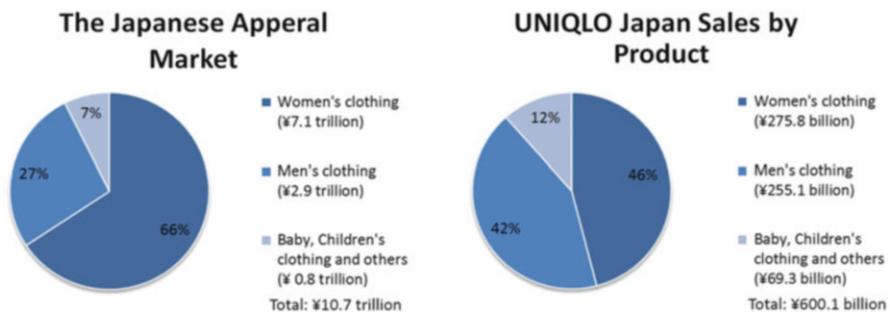


Fig. 1 The Japanese apparel market and Uniqlo sales by product category (Based on Fast Retailing 2014m)

business model that achieves sales and profit per square meter comparable to those of a standard store (Fast Retailing 2014m).

2.6.3 Rapid International Expansion

The forecast for Uniqlo's overseas business is the achievement of net sales of 216 billion yen and an operating income of 16 billion yen for the fiscal year, which ends in August 2013. The sales generated from overseas operations account for more than 20 % of the overall sales from Uniqlo (Fast Retailing 2014m). Sales and profitability are continuously increasing in Asia, accounting for more than 80 % of all overseas sales. One store after another has opened in China, Hong Kong and South Korea. The store network has expanded at a fast pace across the region: the opening in Singapore took place in 2009, Taiwan and Malaysia in 2010, Thailand in 2011, and the Philippines in 2012 (Fast Retailing 2014m).

The plan is to open 144 stores in Asia in the fiscal year (Fast Retailing 2014m). On top of that, Uniqlo seeks to build its brand through global flagship stores in the major cities around the world in order to build an international store network. These have been established in New York, London, Paris, Shanghai, Shinsaibashi, Taipei, Seoul, and Ginza (Fast Retailing 2014m) (Fig. 2).

2.6.4 Heattch, Inc.

Heattch is a unique highly-functional line of comfort innerwear. It resulted from the collaboration between Uniqlo and Toray Industries and launched in 2004. It has gained great popularity from the customers and in the 2007 fall/winter season, the production was almost outpaced by demand (Fast Retailing 2014m).

2.7 What About Quality and Innovation of the Product Range?

Uniqlo is well known for their affordable prices, but Uniqlo cannot be compared to a discounter. Their main focus is high-quality products, characterized by top-quality fabrics and fashioning. Uniqlo occupies 16 textile masters, each with at least 20 years of experience, in order to ensure high-qualitative dyeing, sewing, and the right selection of materials (New York Magazine 2010).

Rather than chasing trends, Uniqlo focuses on its basic product lines and modifies them in different ways, to follow their slogan "Made For All". Basic garments are modified and continuously improved in terms of cuts, colors, shapes, and fabrics.

Furthermore, Uniqlo is trying to improve their basic product lines with the help of the popular German fashion designer Jil Sander. Although her designs look more upscale, her designs remained faithful to the company's business philosophy. Her first collections can be identified by being slightly more stylish, but apart from this characteristic, they were still plain, easy to combine, and affordable (New York Magazine 2010).

Moreover, Uniqlo launched the "Uniqlo Innovation Project" (UIP) in order to "create a completely new category of superior functional clothing that is neither



London 311 Oxford Street Store
(Nov. 2007)



Shanghai West Nanjing Road Store
(May. 2010)



Soho New York Store
(Nov. 2006)



Osaka Shinsaibashi Store
(Oct. 2010)



New York Fifth Avenue Store
(Oct. 2011)



Ginza Store (Mar. 2012)



Seoul
Myeongdong Central Store
(Nov. 2011)



Taipei
Mingyao Department Store
(Sept. 2011)

Fig. 2 Flagships (Fast Retailing 2014m)

sportswear nor fashion” (Fast Retailing 2011). With this campaign, the company is trying to extend their “Made For All” philosophy. Uniqlo expected this campaign to enrich their success in global markets.

3 The Rise of the Company

3.1 Growth Development

After the first opening of Uniqlo in Hiroshima, Japan in 1984, “The Great Recession” in Japan in the early 1990s led to a downturn in economy. This lasted for an entire decade, but led to great popularity for Uniqlo, as the citizens were able to cut back spending while buying cheap clothes. Consequently, by 1994, there were 100 Uniqlo stores in operation. However, the largest part of the growth was centered in the suburbs of Japan with roadside stores (Business Insider 2013).

Furthermore, the company experienced an increase in popularity in 1998 after launching a fleece apparel campaign. Nevertheless, the company went through a decline in profits and sales soon after. Uniqlo's response to this was to reorganize and grow the women line, which led to a recovery. Moreover, the company began to concentrate on larger stores (Business Insider 2013).

While first expanding globally, Uniqlo opened too many stores too quickly. As a result, it had to close many of these stores again. By 2002, Uniqlo had 21 stores in the UK, but only eight of these stores continued to be open in 2006 (Business Insider 2013).

Today, Uniqlo has more than 800 stores worldwide, including a large number of stores in urban centers. Although most of Uniqlo's stores are still located in Japan, there are also stores in the USA, France, Singapore, Malaysia, the Philippines, China, Taiwan, and the UK. It is the biggest apparel chain in Asia and in 2012, Uniqlo was the fourth-largest retailer, following GAP, H&M, and Inditex (Business Insider 2013).

3.2 Becoming a Brand?

According to the dictionary, a brand is defined by "the process involved in creating a unique name and image for a product in the consumers' mind, mainly through advertising campaigns with a consistent theme. Branding aims to establish a significant and differentiated presence in the market that attracts and retains loyal customers (Business Dictionary 2014).

Using this definition as a definition for an established brand, one can say that Uniqlo is now a successful brand which is valued by their customers. However, the company noticed that they should find a preeminent name which would be remembered by its uniqueness. Hence, they changed their name from "Unique Clothing Warehouse" to "Uniqlo". After only selling men's wear, they also decided to expand their product range and developed a new product line with the philosophy "Made For All", which is still the guiding principal. Over time, this principle, in combination with affordable prices, is what differentiates the brand Uniqlo from its competitors. They positioned this image successfully and over time it became associated with high-quality and satisfaction in the consumer's minds. As is visible in the company's revenues, the number of sales increased over time and the company developed a loyal customer base successfully.

3.3 Position in the Home Market

In Japan, clothing retailers are divided into three groups with regards to the value chain. First, there are clothing retailers who specialize in the retail business (e.g. department stores, boutiques, etc.). Second, there are clothing retailers who plan, but outsource, the production. Third, there are clothing retailers who use a

vertical integration system controlling all processes, including planning, manufacturing, and sales (Porter Prize 2009).

Uniqlo belongs to the third group. However, it approaches the system in a unique way, as it procures material and initiates joint fabric developments, but does not have its own factories. Uniqlo is among the top ten of Japan's most valuable brands (Economist 2010). Furthermore, Uniqlo is Japan's largest apparel retail chain. It has a 5.5 % share of the 10.7 trillion yen apparel market. At the end of August 2013, the company had a network of 853 stores, which annually generate net sales of more than 683.3 billion yen (Fast Retailing 2014j).

3.4 Position in the Global Market

Next to positioning itself successfully in the home market, Uniqlo also became a well-established brand in the global market and is still expanding. Currently, Uniqlo records more than 1100 stores in the UK, France, Germany, China, Hong Kong, Indonesia, Japan, South Korea, Malaysia, Taiwan, Thailand, Singapore, Philippines, USA, and Russia. In August 2013, Fast Retailing was ranked at third place, after Inditex and Hennes & Mauritz, for their market capitalization in worldwide apparel specialty stores (Fast Retailing 2014i). In 2013, the company recorded an international increase in both sales and income. Furthermore, they emphasized their success in China, Hong Kong, Taiwan, South Korea, USA, Australia, and Russia (Fast Retailing 2014k). The main occurrence of Uniqlo stores is still in Asia, which is the reason that Asia accounts for approximately 80 % of Uniqlo's international sales (Fast Retailing 2013d). The company predicts their international performance will increase with a rise in net sales of 39.9 % and an expansion in operating income of 52.6 % up until August 31, 2014 (Fast Retailing 2014i).

4 Future Developments

4.1 What Are the Future Challenges/Problems to Be Overcome at Home and Abroad?

Over the years, Uniqlo established itself well in their home market. Accordingly, future challenges in the home market are less likely to occur than in their current brand establishment abroad. Since Uniqlo became popular in Japan during the time of the big recession, the expected income of the country could be an indicator for future challenges in the home market. According to the Organization for Economic Co-operation and Development (OECD), the average household net-adjusted disposable income is 24,147 US\$ a year, which is higher the OECD average of 23,047 US\$ (OECD 2014). Nevertheless, this does not necessarily predict a challenge for Uniqlo in the future, since on the one hand, there is a considerable gap between the richest and poorest Japanese inhabitants. According to the OECD statistics, the top

20 % of the population earn more than six times as much as the bottom 20 %. This means that the bottom 20 % are still dependent on the possibility of buying cheaper clothes. On the other hand, Uniqlo is already well established, and it is reasonable to conjecture that the brand is well valued for their quality-price relationship, even in times of economic growth.

Uniqlo is currently trying to expand their business in Europe. This is itself a challenge for the Japanese retailer. Geographically, Uniqlo faced a challenge, since it is geographically removed from its headquarters and suppliers. Furthermore, they had to overcome differences in doing business between Western countries and Japan.

Apart from geographical and cultural challenges, the company has to educate their new customers on the unique selling point of the business. Most of the people would probably describe fashion as the ability to chase trends, which is the opposite of what Uniqlo does. They rather “identify styles within product categories that won’t quickly go out of fashion” (Forbes 2012b). Accordingly, they have to educate their new customers on this strategy, in order to set up a loyal customer base abroad.

Furthermore, Western style is distinctively different compared to Asian style. Therefore, the company chose to connect in America with “theory”, an American management team for the US-sector in order to tailor clothes slightly to the American taste and demand (Nikkei 2014).

In Europe, Uniqlo managed to establish 18 stores in France, the UK, and Russia. Here again the focus has been on Europeanization.

Next to cultural and geographical challenges, Uniqlo has to be flexible to respond to the subtle difference in tastes among non-Asian countries and educate new customers on the advantages of their product.

4.2 Which Companies Are Its Competitors Now and in the Future?

According to industry ranking of the global specialty retailers of private label apparel (SPA), the four largest and most successful clothing retailers are Inditex (which is the parent company of Zara), H&M, Gap, and then, finally, Fast Retailing (Uniqlo) (Fast Retailing 2014a).

With revenues of 21.71 billion US\$ Inditex (Zara) has the largest sales. Following Zara, H&M has the second largest sales with revenues of 19.66 billion US\$. With revenues of 15.65 billion US\$, Gap is the third most successful clothing retailer. Finally, Fast Retailing is at fourth place with revenues of 11.16 billion US\$ (Fast Retailing 2014a).

Uniqlo’s strategy has already been mentioned. In short, the company’s strategy is to provide products of high quality and high value. Therefore, they choose long-term appeal over trends (Petro 2012a).

Spanish company Zara, on the other hand, focuses on responding to consumer trends. Therefore, they believe in reacting to the fast-changing tastes of the customers. Consequently, their success follows on their highly-responsive supply

chain, which makes sure that new fashion can be delivered as soon as it emerges. Twice a week, new products are delivered to the 1670 stores around the entire world, adding up to more than 10,000 new designs every year (Petro 2012b).

The Swedish fashion retailer H&M, however, emphasizes merging a commitment to durability while remaining responsive to fashion trends. The reason that H&M can respond quickly to new trends is that the network of 20–30 production offices is placed nearby the suppliers. This company launches two main collections every year, one offered in spring and the other one in fall, but within each season, there are various sub-collections allowing H&M to keep their inventory fresh. The main collections in spring and fall are traditionally long-lead items, which mean that the design and fabrication take the longest, whereas the sub-collections are usually trendier short-lead items. Furthermore, H&M proves to have an excellent IT infrastructure, as every store is connected to corporate logistics and procurement systems and the central H&M warehouse (Petro 2012c).

Company Gap, which was already famous in the 1970s, had a serious setback in the past years, and it seemed as if their time had gone. However, the company was able to recover with their last collection. Moreover, Gap focuses on embracing the digital age by allying with influential fashion bloggers (Thau 2013).

Facing these strong competitors, where each has a different success strategy, Uniqlo's founder and CEO Tadashi Yanai still has the ambitious plan to surpass leader Inditex (Urstadt 2010). Nevertheless, Inditex' managing director, Manel Jadraque, speaks about planning to grow 20–25 % a year for the next 3 years. Inditex wants Zara to double every 4 years (Donaldson 2014). Therefore, it is not possible to say whether Yanai will reach his goal to be world market leader. Uniqlo's competitors are strong and each has a unique strategy.

5 Conclusion

The company's success can be explained by its initial success during the Japanese crisis. The consumer's demand for affordable but high quality clothing was high during this time of recession, as consumers had to cut back on expenditures. After this sudden success, Uniqlo's founder Tadashi Yanai managed to expand brand awareness and achieved success globally. Now, Uniqlo is the fourth largest clothing retailer worldwide, which makes Uniqlo a well-established world brand.

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