

Uniqlo's Global Expansion Strategy

“A COMPANY FOR THE FUTURE”

A PRESENTATION TO: UNIQLO UPPER MANAGEMENT

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Problem and Solution

Problem:

How can Uniqlo restructure its supply chain to become the leading global apparel retailer?

Solution:

Solve Uniqlo's supply chain challenges by
A) opening distribution center in US, and B) focusing on e-commerce sales.

Vision

“To become the top fashion retailer in the world.”

Agenda

- Current Situation
- Key Issues
- Qualitative Analysis
- Alternatives
- Quantitative Analysis
- Implementation Plan
- Risk Mitigation
- Conclusion

Qualitative Analysis

Current Situation

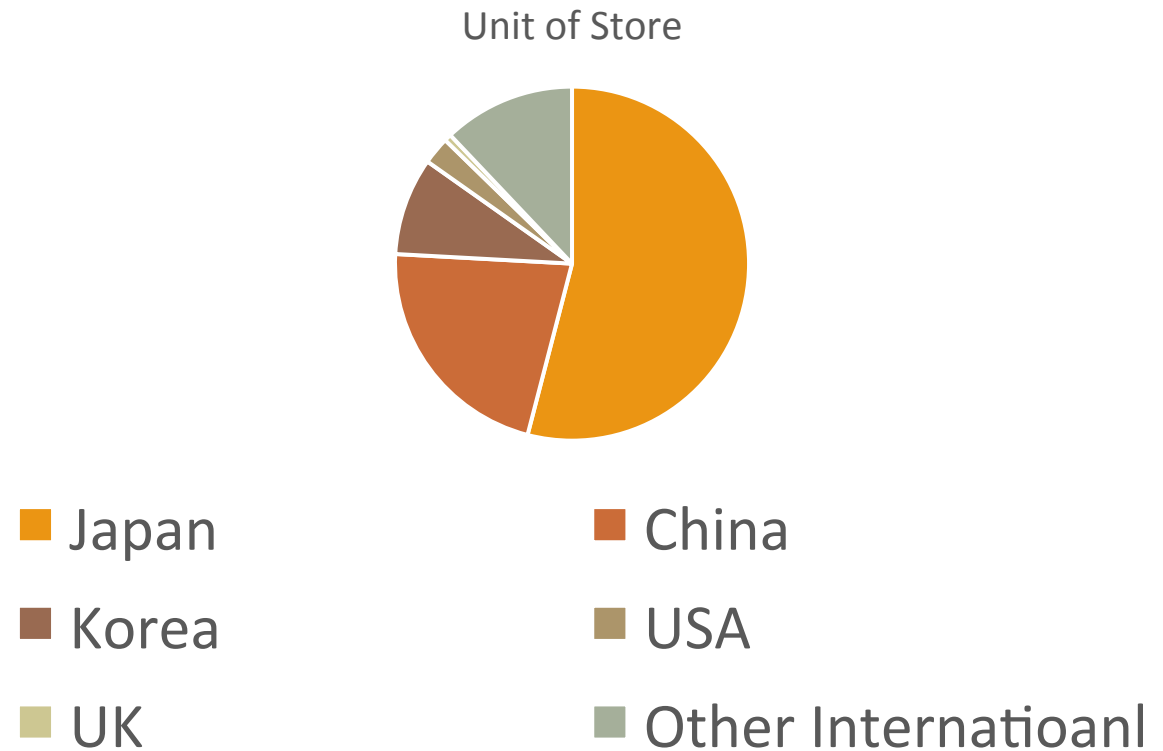
- February 2015, Japan
- Uniqlo is a counter-current fashion company
- “Life wear” apparel, low price and good quality
- **Competitive advantage:** Low cost, high quality
- Current major markets: Japan, China, Korea
- Japanese market currently saturated
- Facing supply chain challenges in global markets

Current Financial Situation

2011-2014 worldwide:

20% average growth in revenue

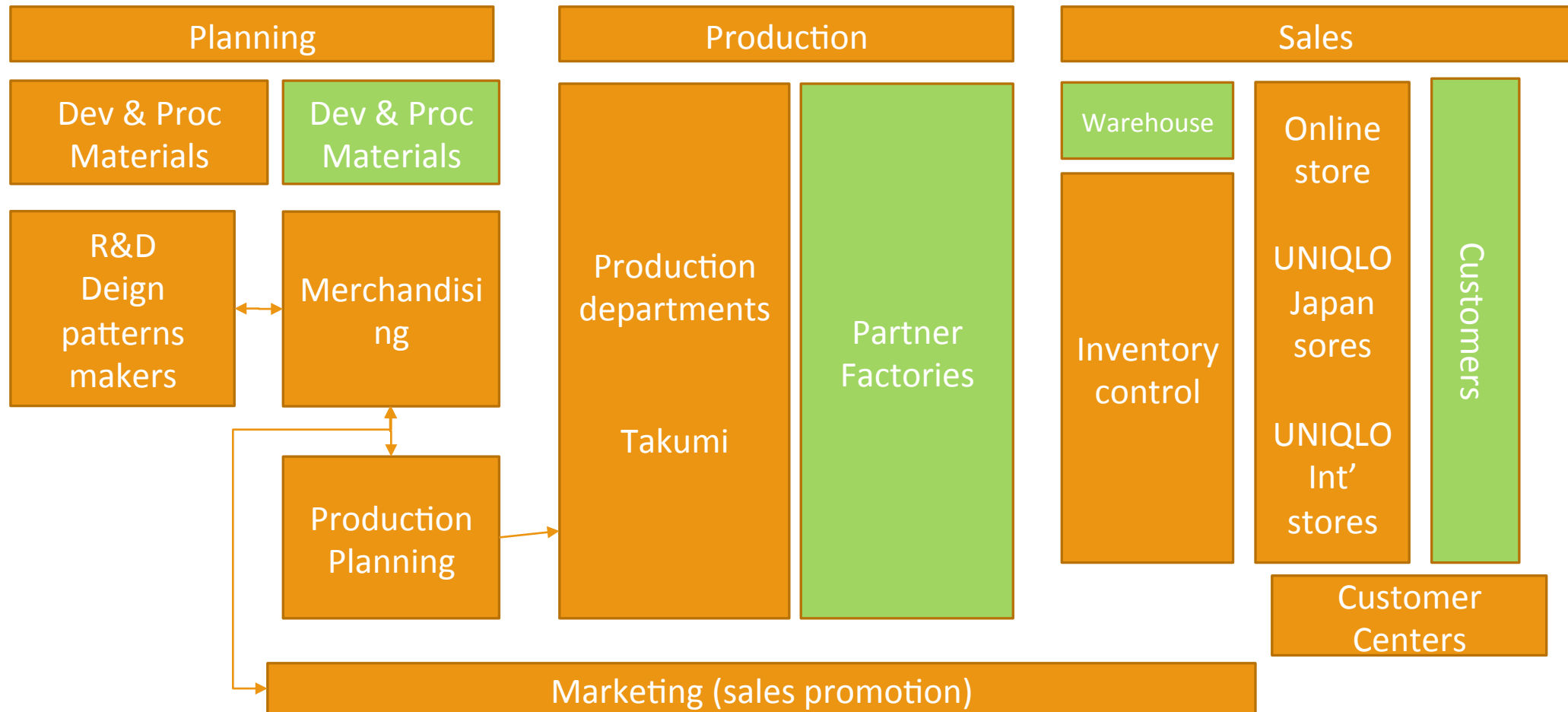
10% average growth in unit of stores



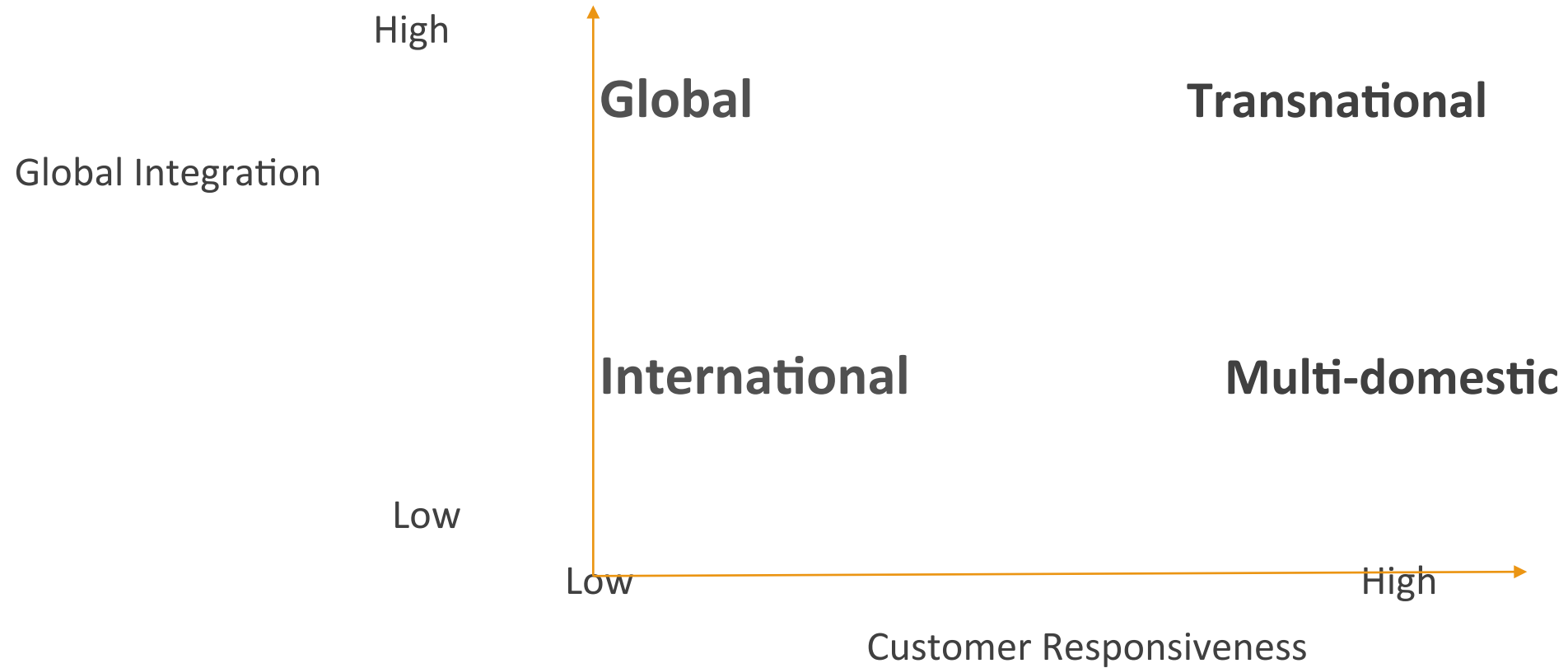
Key Issues

- Facing challenges with supply chain model in global markets
- Saturated in Japan
- Online retailing with 4% of sales
- Product size inconsistent between Asian and U.S. markets

Supply Chain Analysis – Fast Retailing



Global Business Strategy



Competitors

Inditex

- 1st largest world apparel retailer
- “Fast fashion” model
- Responsive supply chain; reduced time-to-market (10-15 days from design to market)

H&M

- 2nd largest world apparel retailer
- Longer shelf life than Inditex

GAP

- Pioneered SPA model (allows for direct visibility of sales data)
- Continued growth and expansion plans for China

Qualitative Analysis

STRENGTHS

- SCA: Low price & High Quality
- Integrated manufacturing and supplying
- High efficiency of Team Takumi

WEAKNESSES

- Limited exposure in U.S and European
- Limited distribution channel in global markets

Qualitative Analysis

OPPORTUNITIES

- Customers preference in variety and diversity from Asia cloth style

THREATS

- Increasing labor cost in China
- Competition from other global clothing brands

Alternative Analysis

Alternatives

1. Model supply chain structure of Inditex.

2. Continue to grow in Asian markets.

3. Focus on US/Europe market growth and leverage e-commerce.

Alternative 1: Rejected

Model supply chain structure of Inditex.

- Reduce lead time
- Increase prices
- Does not leverage Uniqlo's competitive advantage

Alternative 2: Rejected

Continue to grow in Asian markets.

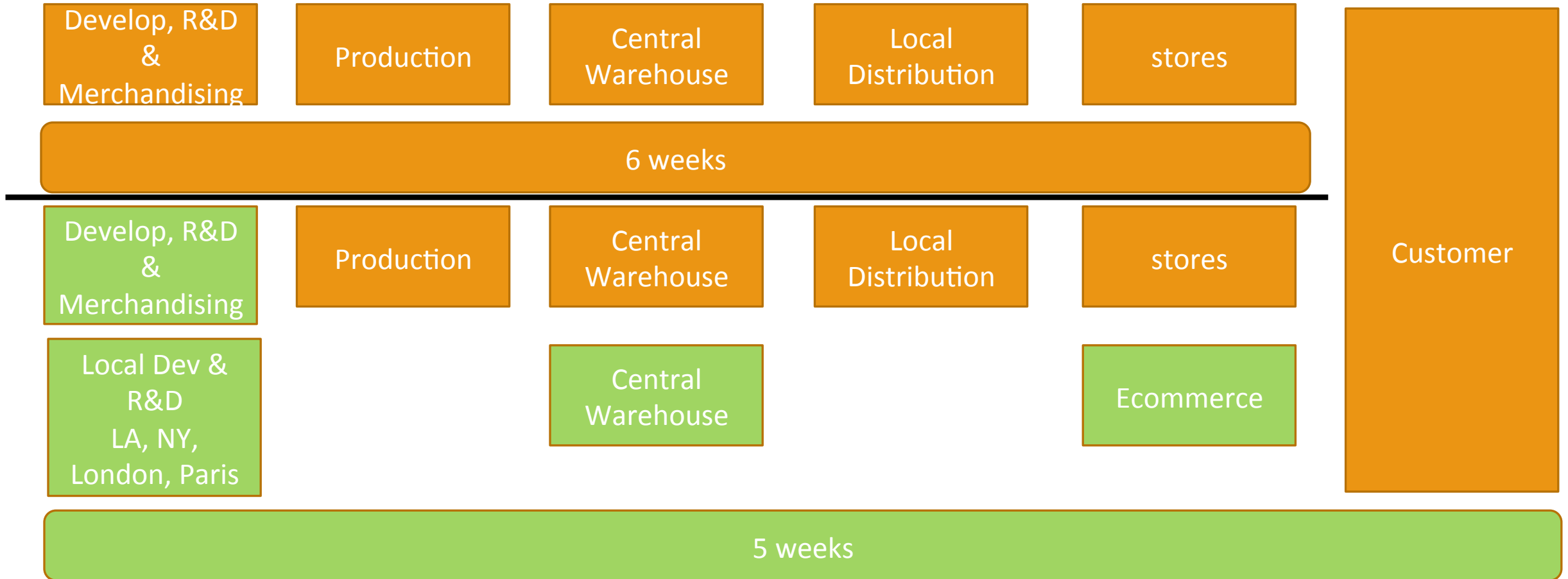
- Supply chain model is successful in Asian markets
- China is Uniqlo's lead international market
- Japanese market is saturated
- Significant presence in Asian markets
- E-commerce needs to be a focus in addition to physical stores – JD.com

Alternative 3: Optimal Solution

Focus on US/Europe market growth and leverage e-commerce.

- Open new central warehouse in US to supply US and EU, physical and E-commerce
 - Warehouse to connect with current local distribution centers
- Focus on e-commerce in US and Europe
 - Create an app for an easy and accessible consumer shopping experience
- Adjust sizing to fit US markets
 - Design team

Recommendation: Current vs. Proposed



Recommendation Justification

- US market has only 39 stores and lots of growth potential
- Maintains current competitive advantage of low cost and high quality
- Reduces 6-week lead time to 5 weeks by having distribution centers closer to markets
- Leverages Kaizer philosophy of continuous improvement
- E-commerce is profitable!

By 2020, Uniqlo will make 1.12 billion more

Decision Matrix

	1. Benchmark Inditex	2. Asian market growth	3. US/Europe market growth and e-commerce
Profitability	+	-	+
Risk	-	-	-
Strategic Fit	+	-	+
Competitive Advantage	-	+	+
Timeliness	-	+	+

Quantitative Analysis

Projection: UNIQLO in China

Average growth in 2014-2018: 9.5% | in 2019-2020: 5%

New opening stores: 15% per year

Sales in US \$ billion

	2015	2016	2017	2018	2019	2020
Asian market demand	259	284	311	340	357	374.85
China market demand	85	94	102	112	118	124
Number of stores in China	440	540	621	714	821	944
Uniqlo's sale in China	5.20	6.50	7.80	9.05	10.31	11.60

Projection: UNIQLO in USA without e-commerce

New opening stores: 15 units per year in 2015-2020

Sales in US \$ billion

	2015	2016	2017	2018	2019	2020
UNIQLO's sale in USA	5.45	7.18	9.55	11.09	12.64	14.16
R&D expense	0.50	0.50	0.50			
Shop-opening cost	6.40	4.80	4.80	4.80	4.80	4.80
Operating expenses	2.00	2.20	2.42	2.66	2.93	3.22
Income	-3.45	-0.32	1.83	3.63	4.92	6.14

Projection: UNIQLO in USA with e-commerce

E-commerce starts in 2015, sales go up by additional 10% per year

New opening stores: 15 units per year in 2015-2020

Sales in US\$ billion

	2015	2016	2017	2018	2019	2020
Number of stores in USA	59	74	89	104	119	134
Uniqlo's sale in USA	6.00	7.90	10.50	12.20	13.91	15.58
R&D expense	0.50	0.50	0.50			
Shop-opening cost	6.40	4.80	4.80	4.80	4.80	4.80
Operating expenses	2.00	2.20	2.42	2.66	2.93	3.22
Warehouse, delivery center	0.25	0.25	0.25	0.25	0.25	0.25
E-commerce	0.20	0.05	0.05	0.05	0.05	0.05
Income	-3.35	0.10	2.48	4.44	5.88	7.26

Projection: difference in between

	2015	2016	2017	2018	2019	2020
Income with e-commerce and reduced lead time	-3.35	0.10	2.48	4.44	5.88	7.26
Income without e-commerce	-3.45	-0.32	1.83	3.63	4.92	6.14
Difference in Income	0.10	0.42	0.65	0.81	0.96	1.12

Implementation

Implementation Plan

Action	Short-Term (1 year)	Med-Term (2-3 years)	Long Term (3-5 years)
Focus on designing and developing locally (LA, NY, London, Paris)	X	X	
Set up central warehouse in US Supply US and EU both physical and Ecommerce		X	
Establish online retailing system in Japan, US, and EU Application formation		X	
Form partnership with delivery company for at home delivery			X
Create local pick up satiations		X	

Risk Mitigation

RISK

1. Capital intensive
2. Overnight Delivery
3. Varied consumer preference

MITIGATION

High cash flow generation

Vertical integration with delivery company

Local design teams

Conclusion

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Uniqlo: A Company for the Future
