



A Brand at the Cutting Edge

An operation and growth strategy to reach the top!

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The goal

Become the top fashion retailer in the world!

The burning question?

Should Uniqlo adopt a Fast-Fashion approach to achieve this goal?

Our Recommendation

1. A realistic bricks and mortar expansion.
2. A plan to drive online sales.
3. Introduce “White Label” options to increase total market size.

Executive Summary

| STRATEGY | MICRO-STRATEGY | DETAILS | #s |
|---------------------|---------------------------------|---|--------------------|
| Retail Growth | Regional Growth | -Realistic US Store rollout | USD 1.18B |
| | | -China Store Rollout | USD 3.76B |
| | | -Taiwan, S. Korea, India, Europe, and Oceania not an imminent priority | |
| | White Label (Customer-Branding) | -Offer existing SKUs in “white label” format -Let large retailers trial new products at low risk -Negligible changes to existing supply chain | USD 1.5B |
| Operational Changes | Supply-Chain | -Automate where possible -Adapt Takumi team and TQM to 6 σ (1 defect per million) -Do not move to Fast Fashion | |
| | Warehousing | -Lease large capacity distribution center -Do not purchase a warehouse | USD1.8–2.4M |



Defense & Logic

A stitch in time saves nine...

Recommendation

- Realistic bricks and mortar expansion
- Increase online sales
- Introduce white label in US

Realistic Bricks and Mortar Expansion

United States

- Goal of 200 stores by 2020 would require 27 new stores per year for the next 6 years
- With only 22 stores opening a year, and not yet profitable, this goal isn't realistic
- We recommend **10 a year**
 - Need to ensure the logistics are in place to support expansion
 - Maintain production in China/ Bangladesh to provide low cost
 - Lease a distribution centre in the US to manage distribution to storefronts and support online sales
 - Online traffic can boost sales and supplement bricks and mortar sales
- Large middle class in the United States
 - Great market for Uniqlo's high quality fashion basics & functional wear
- Will need to adjust sizes to fit America's population

Realistic Bricks and Mortar Expansion

China

- 340 stores in 2015 – Goal is 1000 stores by 2020
- Need to open 110 stores per year to achieve goal which is realistic
- \$340USD billion dollar market by 2018
- Can target 2nd and 3rd tier cities that are underserved and have a growing middle class

Europe

- Not yet close to saturation by Uniqlo – much room for growth
- Brand recognition but competition from fast retailers and local brands H&M and Zara
- Focus on price conscious countries that like functional clothes

Increase online Sales

- By 2018, our goal for you is to increase online sales globally from 4% to 15%
- Bricks and Mortar expansion is costly, and you can reach a global audience online
- You already have a strong supply chain to support distribution

How to drive traffic online

- Social media campaigns that target millennials
 - Sponsored ads on Facebook & Instagram
 - Google ad-words and ad-sense
- No questions asked return policy to increase confidence in online shopping
- Email coupons for online only sales (opt-in)

Introduce White Label in US

- ▶ Retailers can approach Uniqlo to manufacture clothes that will be labeled with this retailers brand
 - ▶ Will set minimum order volumes to ensure Uniqlo can maintain low cost agreements with manufacturers
- ▶ Uniqlo has high quality, a strong supply chain, and proven manufacturing processes
- ▶ Bricks and mortar expansion is costly
 - ▶ A white label will increase revenues and sales without a large investment

Supply Chain

- ▶ Continue Kaizen practice
- ▶ Don't change to fast fashion
 - ▶ Will dilute quality
 - ▶ Let your competitors do this
- ▶ Keep centralized supply chain
 - ▶ Takumi team should not be over extended
- ▶ Bring total quality management to six sigma level (less than 1 defect per million garments)
 - ▶ Will reduce burden on personnel to check individual garments thereby increasing manufacturing capacity



Threading the needle

The numbers

Assumptions

- ▶ 700 square meter stores
- ▶ Average price per square meter: \$50
- ▶ Size of distribution warehouse: 75,000-100,000 square meters
- ▶ \$1USD = 100¥

The Costs to Expand:

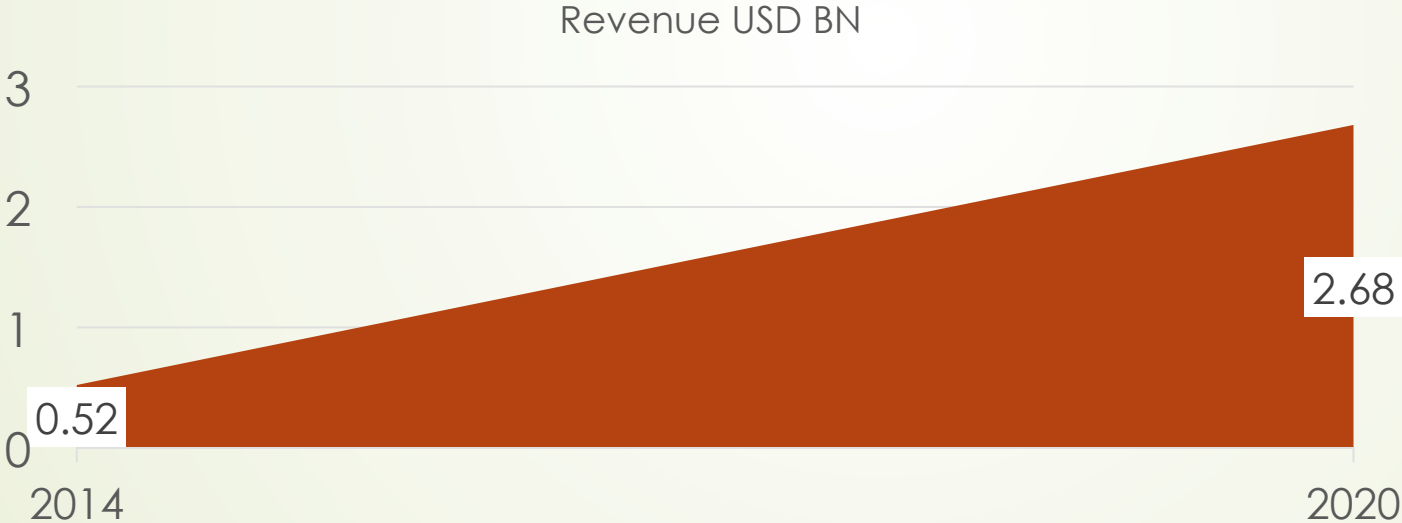
United States:

| | |
|--|------------------|
| Leasing Costs (161 Retail Stores) | \$5.6M |
| Capital Improvements | \$ 8.05M |
| <hr/> | |
| Total Costs | \$13.05M |
| | |
| Leasing Cost (50 stores + warehouse) | \$1.8 - \$2.4M |
| Capital Improvements | \$2.5M - \$3.0M |
| <hr/> | |
| Total Costs | \$4.32M - \$5.4M |
| | |
| Website | \$0.1M-\$0.2M |

The cost of building 161 stores is prohibitive without profit.

Revenues (United States Operations)

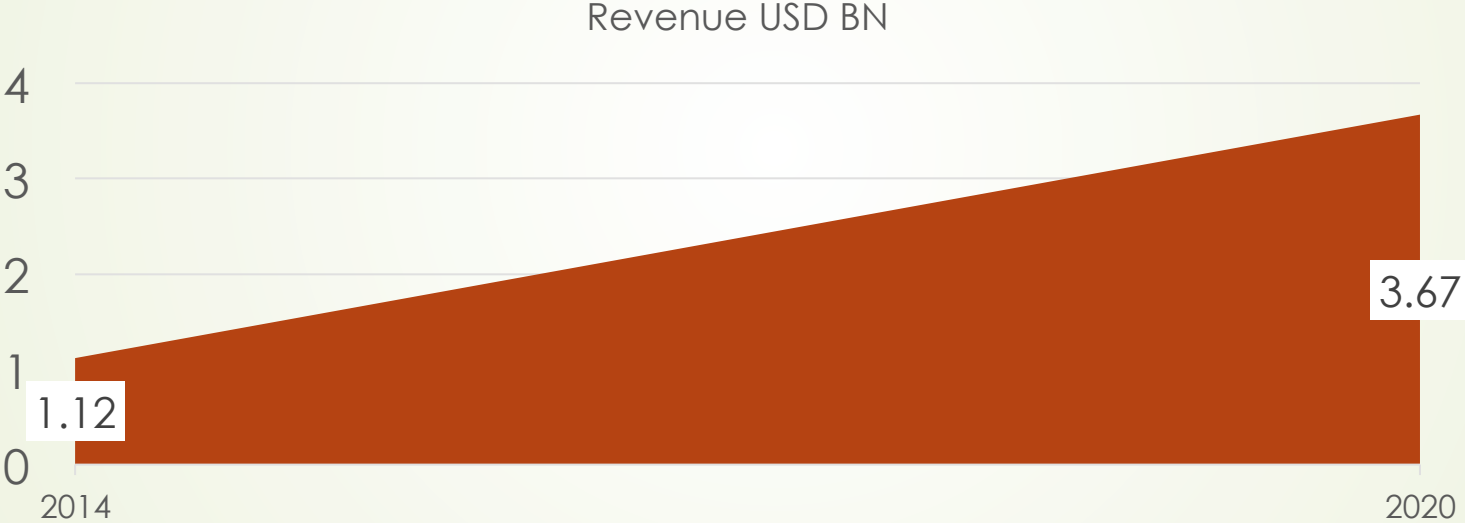
| | |
|-----------------------------|-------|
| Current Revenues (2014) | 52B¥ |
| Retail Stores (2020) | 118B¥ |
| White Label + Online (2020) | 150B¥ |
| <hr/> | |
| Total Revenues (2020) | 268B¥ |



Revenues for US sales will increase 5X to \$2.68B USD

Revenues from China

| | |
|---|--------|
| Current Revenue (2014) | 112B¥ |
| Expected Revenues from retail stores (2020) | 367B ¥ |

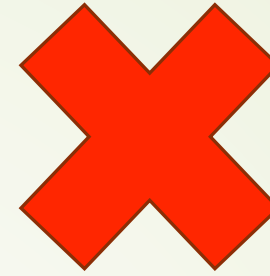


Revenues for US sales will increase 3X to \$376B¥



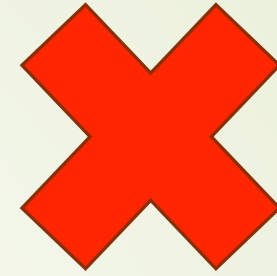
Undesirable Alternatives

Fast Fashion: Fast is Trash



- ▶ Does not meet the core concept of being fashion basic
- ▶ Existing supply chain does not support fast fashion
- ▶ The supply chain mechanisms of fast fashion often result in poor quality clothing which does not align with Uniqlo's brand

Acquisition of other Retail Brands



- Integration of brand would confuse the customer
- Clear positioning of the brand would be distorted
- While there are small local competitors that Uniqlo could acquire it is too expensive to acquire a retail brand with a strong global presence

Off The Rack Ideas:

Here are a few creative concepts that would require extra research. We are not recommending these right now.

- Design you own, fashion app
- Combine all global brands to create a department store in some key markets (possible Europe or China Tier 1 markets)
- Improve customer experience at store through events



Recommendation:

UNICO NEEDS TO FOCUS ON A REALIST EXPANSION GLOBALLY, INCREASE THEIR ONLINE SALES FOCUS, AND LAUNCH A WHITE LABEL BRAND PILOTING IN THE US.



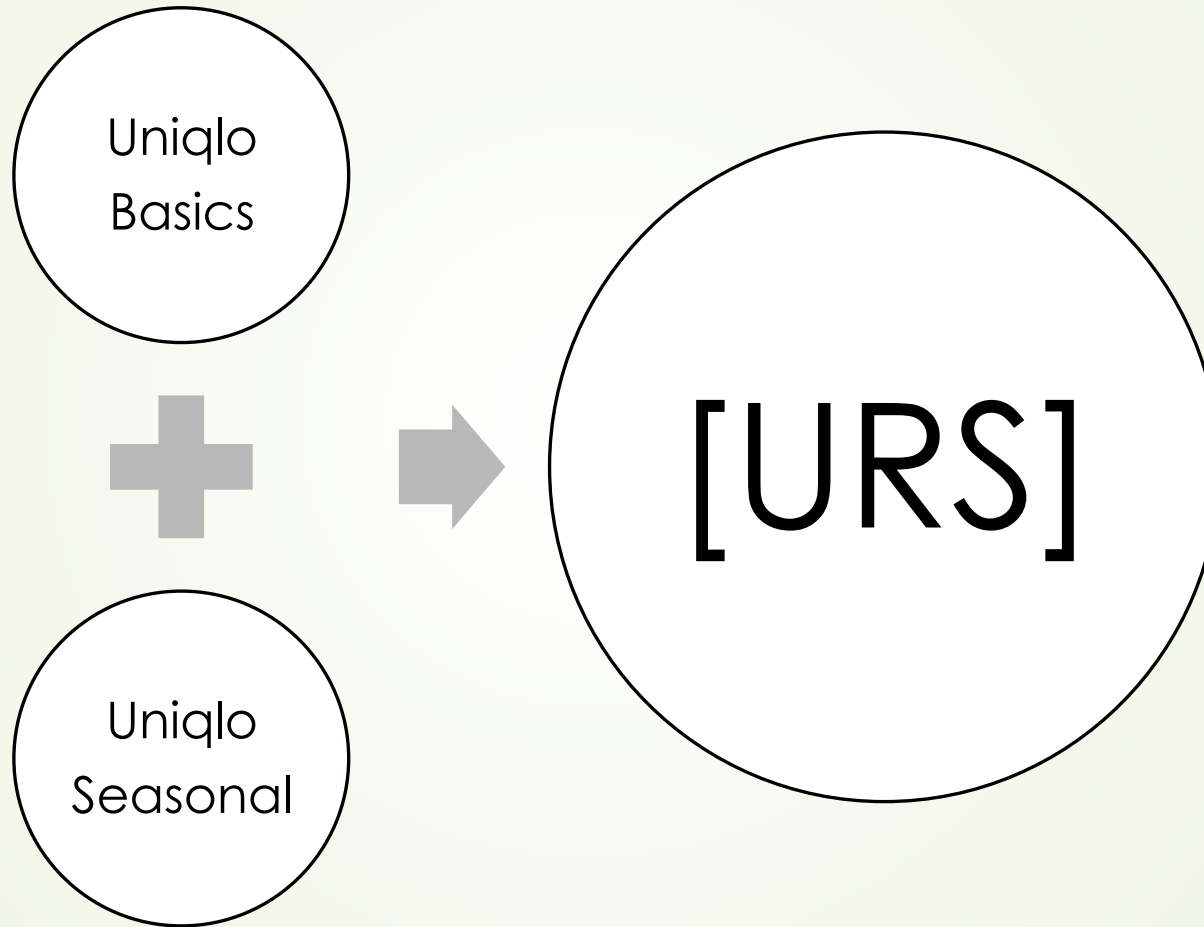
So, the next step is to become a
global brand.

Fashionable Implementation

Implementation: The Closet



White Label

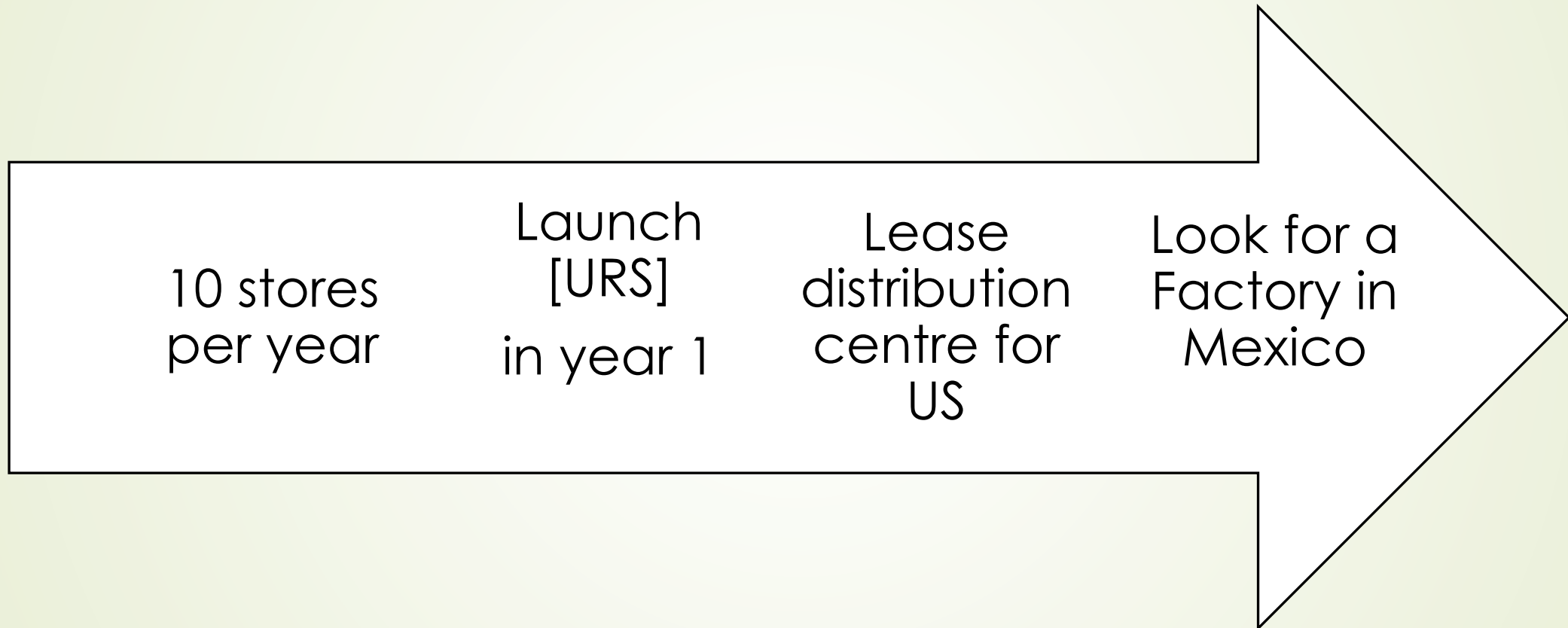


Launching The White Label

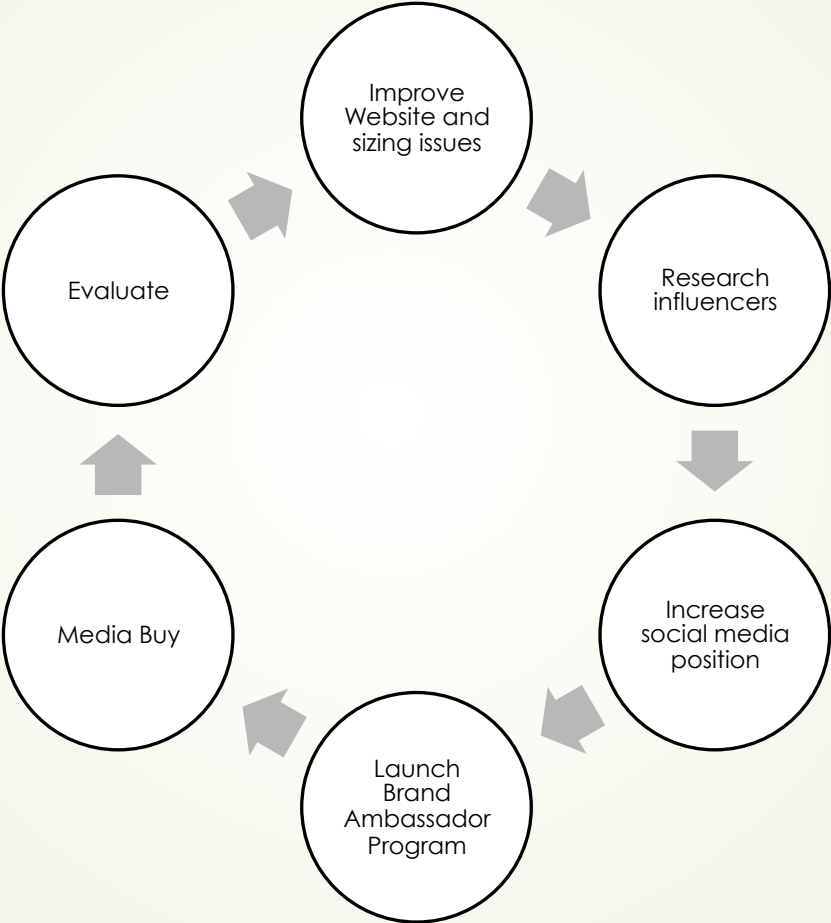
Year 1:

- Identify SKU's
 - Global Brand and UNIQLO
- Source US warehouse
- Buy equipment (i.e. silkscreens)
- Launch website and app
- Create space for white label printing
- Advertise through social media, search engine optimization, blogs
- Evaluate performance

Implementation: US



Dress For The Season: Marketing



2016 US Marketing Initiative

China

Open 110
stores per
year

Launch
UNIQLO
online

1000 Stores

Risks and Mitigation

| Risks | Mitigation | Likelihood | Impact |
|----------------|--|------------|--------|
| IP | Build a strong Brand | H | L |
| Cyber security | Have protected script | M | M |
| Inventory | Offer white label to sell off old inventor | M | L |
| R and D | Spend time developing fashion seasonal | M | H |



Our recommendation is in style, our implementation fits.

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