

UNIQLO: A GLOBAL SUPPLY CHAIN TO BE

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Agenda

- ▶ Analysis
- ▶ Alternative actions
- ▶ Recommendation
- ▶ Implementation
- ▶ Financial aspects
- ▶ Risks
- ▶ Conclusion

Main Challenge

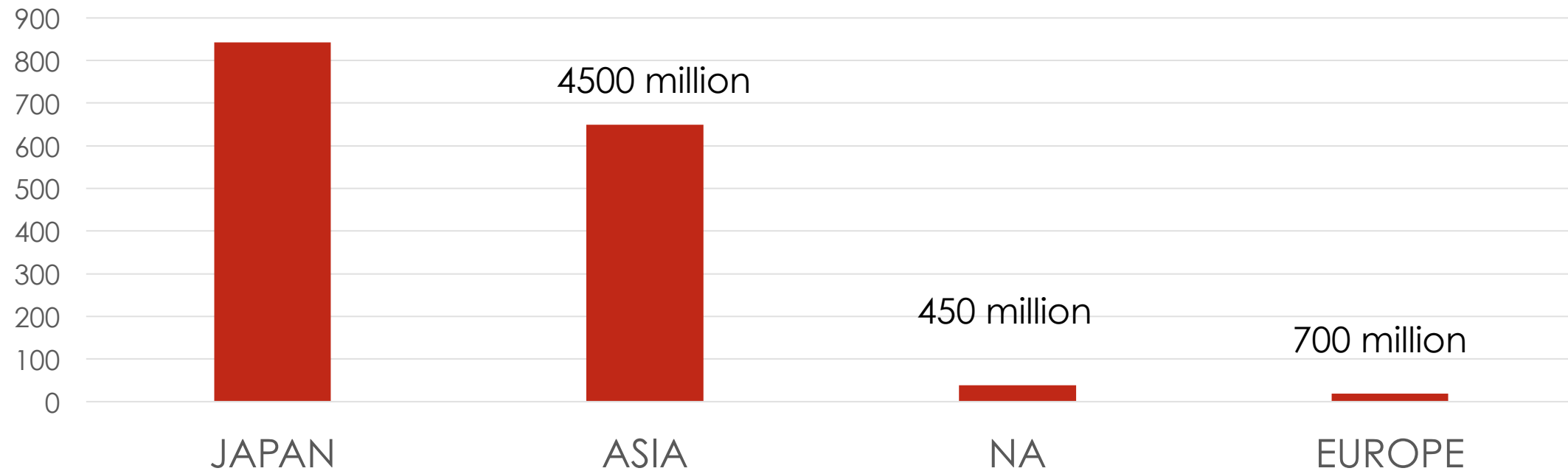
How should UNIQLO setup its production and sourcing structure, as well as its end consumer distribution in Europe and North America to enable future growth?

Recommendation

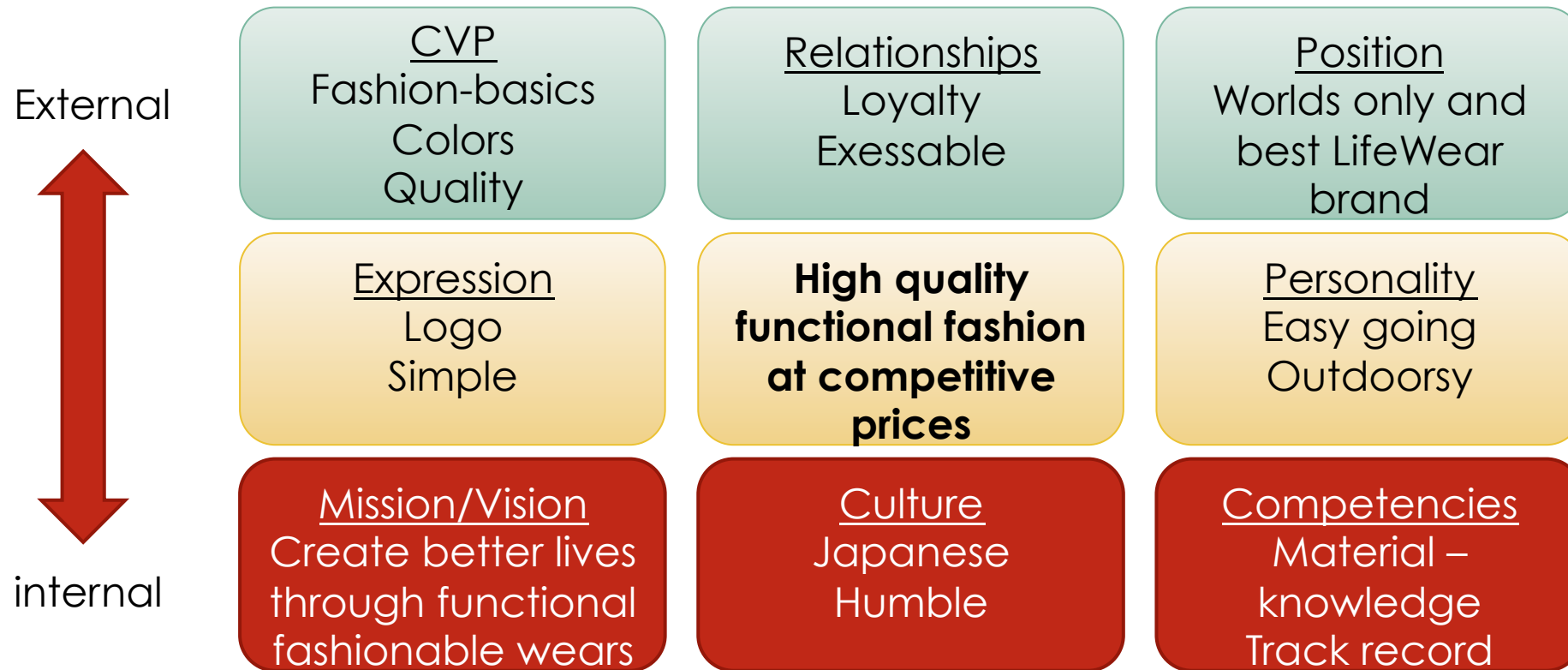
By creating an OMNI-channel strategy to maximize customer experience whilst focusing on economies of scale and quality in production

Expansion possibilities favourable

Number of stores WW



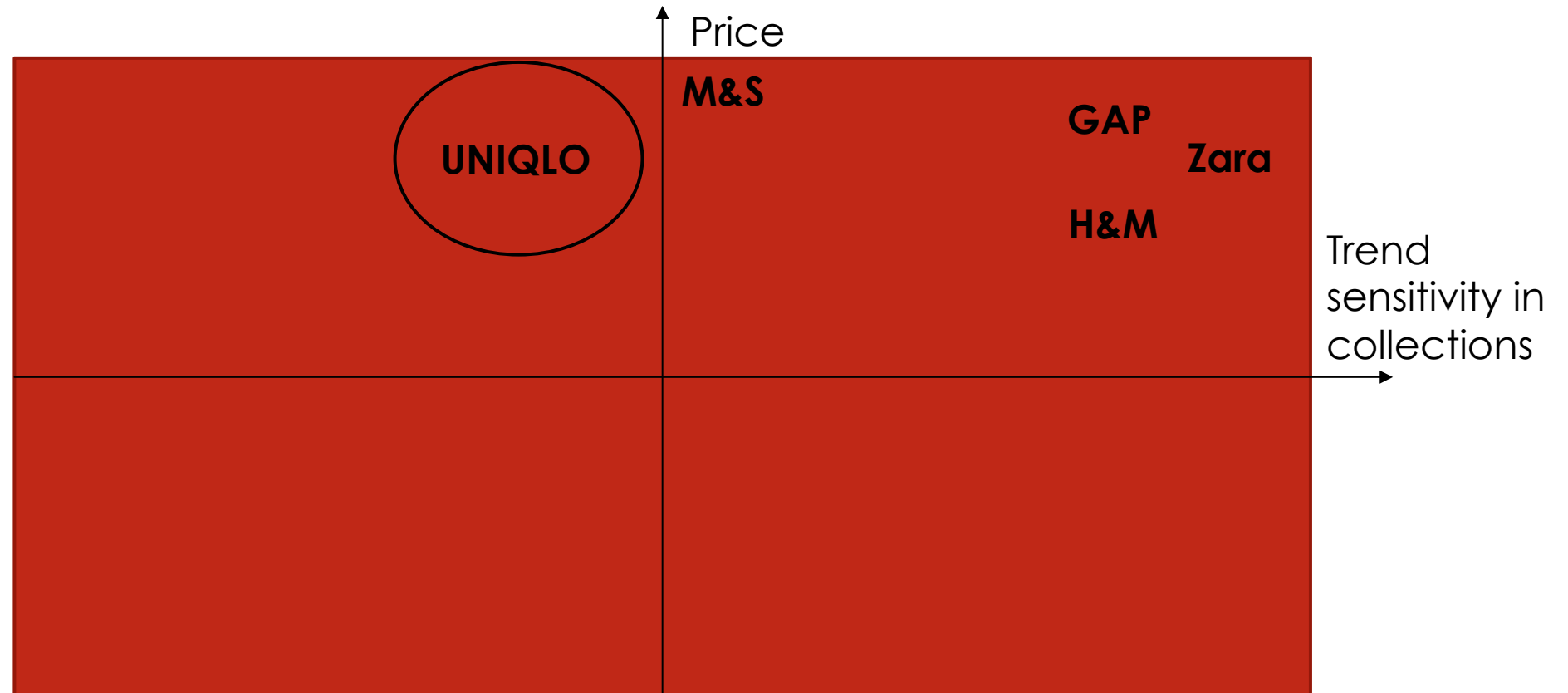
The UNIQLO brand at it's core



The UNIQLO offer allows for responsible production in known territory

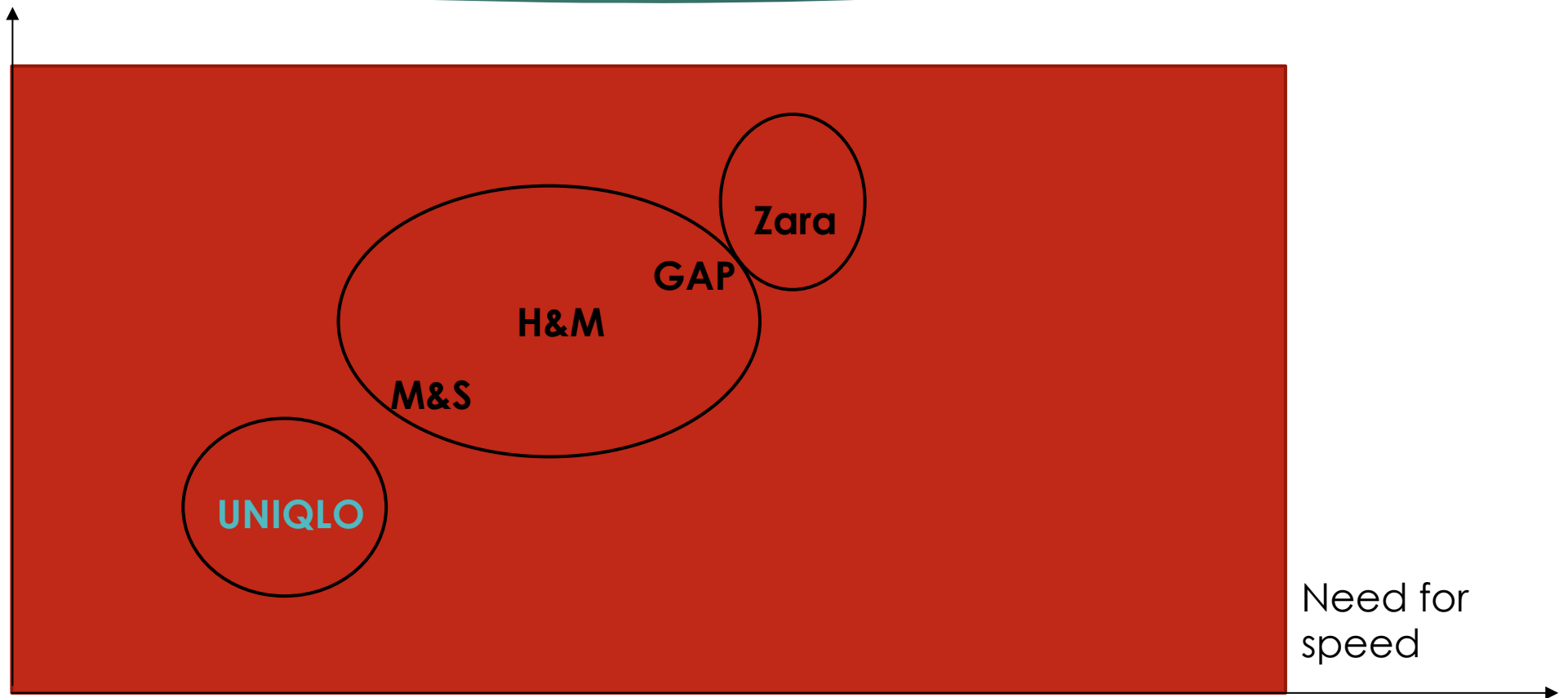
For whom (Ideal customer)	Mid-aged people with a feeling for quality and fashion
In the business of (Market defined)	Global LifeWear (Fast fashion)
Promise (needs satisfied)	High quality functional fashion at competitive prices
Proven by (competencies)	Fabric knowledge, track record, customer demand

The competitors are positioned differently



The 'Need for Speed' in production is favorable

Trend sensitivity in collections



Two different models have appeared for fast fashion

The H&M way

- **Longer lead-times**
- Monitoring important
- Dispersed globally

“Fashion at the best possible price in a sustainable way”

The Inditex way

- Capital intensive
- Vertically integrated
- **Short lead-times**
- Responsive to trends

Trendy fashion exactly at the right time

The difference between production lead time and customer delivery time is fundamental

Production lead time

Driven by trend sensitivity in offer

Delivery lead time

Driven by customer demand and expectations

The customers are demanding speed in delivery

OFFLINE

- Availability in store
- Accessibility to store
- Store Experience



FONLINE

- **OMNI channels**
- **Availability**
- **Price**
- **Everywhere**
- **Convenience**
- **Delivery time**
- **Flexibility**

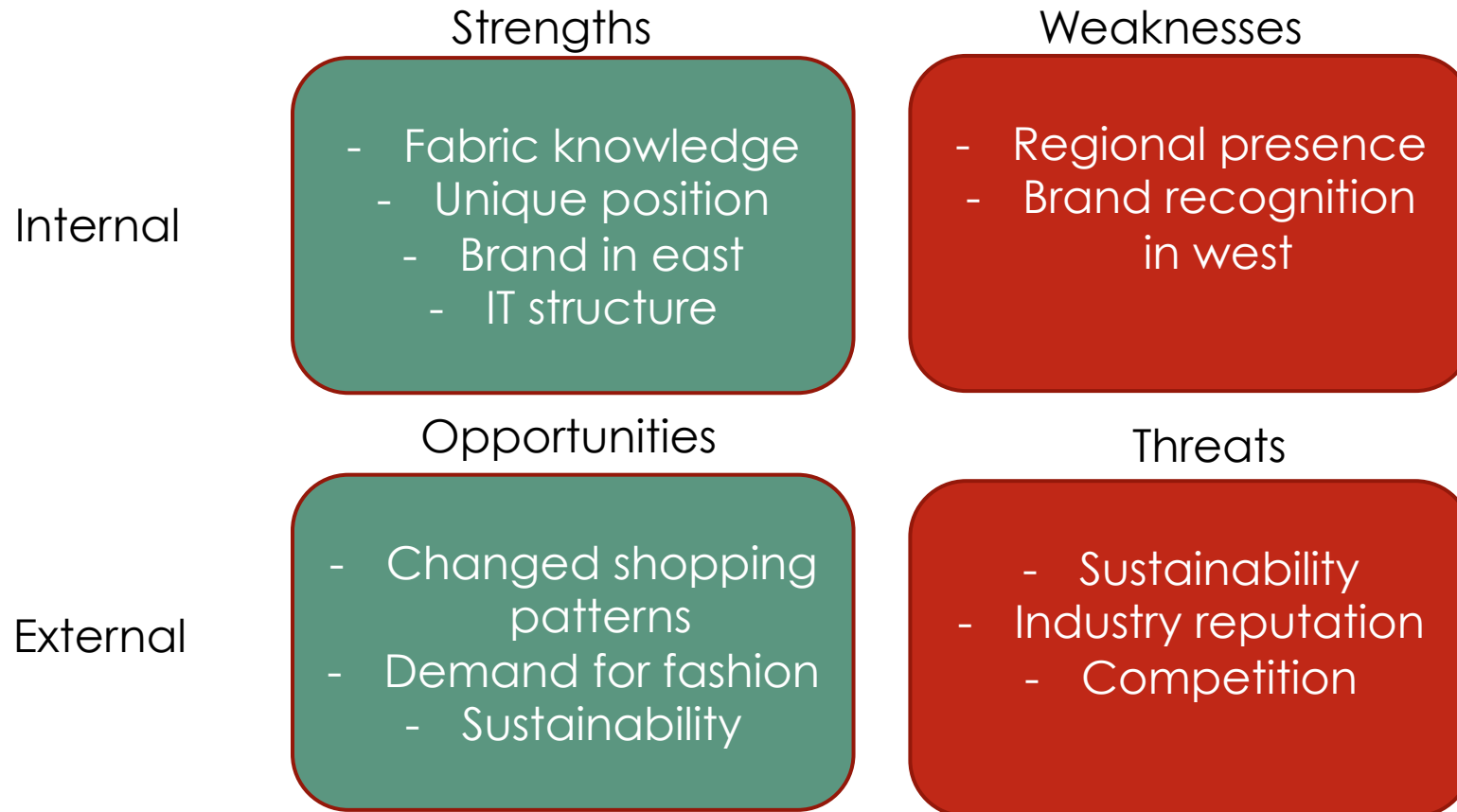
“For customers where ever they are and how ever they chose to shop”



ONLINE

- Mobile and website experience
- Delivery time
- Cost of delivery

Leverage on strengths and capture opportunities



A main challenge appears

Main Challenge

How should UNIQLO setup its production and sourcing structure, as well as its end consumer distribution in Europe and North America to enable future growth?

Three alternatives to tackle challenges

1 More production closer to end consumers

2 Keep production location and use high speed transportation systems

3 Keep production and put heavy focus on an OMNI strategy towards customer

Alternative 1, focus on close-by production

1

More production closer to end consumers

- Enable adaptability towards distribution and end consumer
 - Shortest possible lead times
 - Equal focus on online stores and physical stores

2

Keep production location and use high speed transportation systems

3

Keep production and put heavy focus on an OMNI strategy towards customer

Alternative 2, focus on high speed transport to distributors

1

More production closer to end consumers

2

Keep production location and use high speed transportation systems

- Ship products from producer to distributor by air
- Enable cheap production and responsiveness
- Equal focus on online stores and physical stores

3

Keep production and put heavy focus on an OMNI strategy towards customer

Alternative 3, focus on quality and OMNI solutions

1

More production closer to end consumers

2

Keep production location and use high speed transportation systems

3

Keep production and put heavy focus on an OMNI strategy towards customer

- Ship garments from producers to distributor by sea freight
- Focus on economies of scale and quality in production
- OMNI-channel focus including all channels and erasing barrier between online and offline

Four critical factors for success

Customer needs

- Does the alternative what the customer want?

Price competitiveness

- Does the alternative enable value for money?

Sustainability

- Is the alternative eco friendly?

Feasibility

- Is the alternative manageable and financially viable

Four critical factors for success

	1. More production closer to end consumer	2. Keep production and use high speed transport	3. Keep production and put focus on OMNI
<u>Customer needs</u>	YES	YES	YES
<u>Price competitiveness</u>	SEMI	SEMI	YES
<u>Sustainability</u>	YES	NO	YES
<u>Feasibility</u>	NO	YES	YES

Recommendation

By creating an OMNI-channel strategy to maximize customer experience whilst focusing on economies of scale and quality in production

Timeline overview

YEAR 1

Internal communication

Production re-focus

Research and development of strategy

YEAR 2-3

Roll-out of distribution strategy

Roll-out of omnichannel strategy

Marketing campaigns

YEAR 4-5

Continuous improvement of strategy

Monitor and measure implementations

Implementation in a four step process

Production

Distribution structure

Uniqlo channel strategy

Marketing actions

Stay true to the manufacturing that made you famous

- Inticrate part of Uniqlos core offering and competency
- Emphasize on the Kaizen philosophy and the dedication to great quality

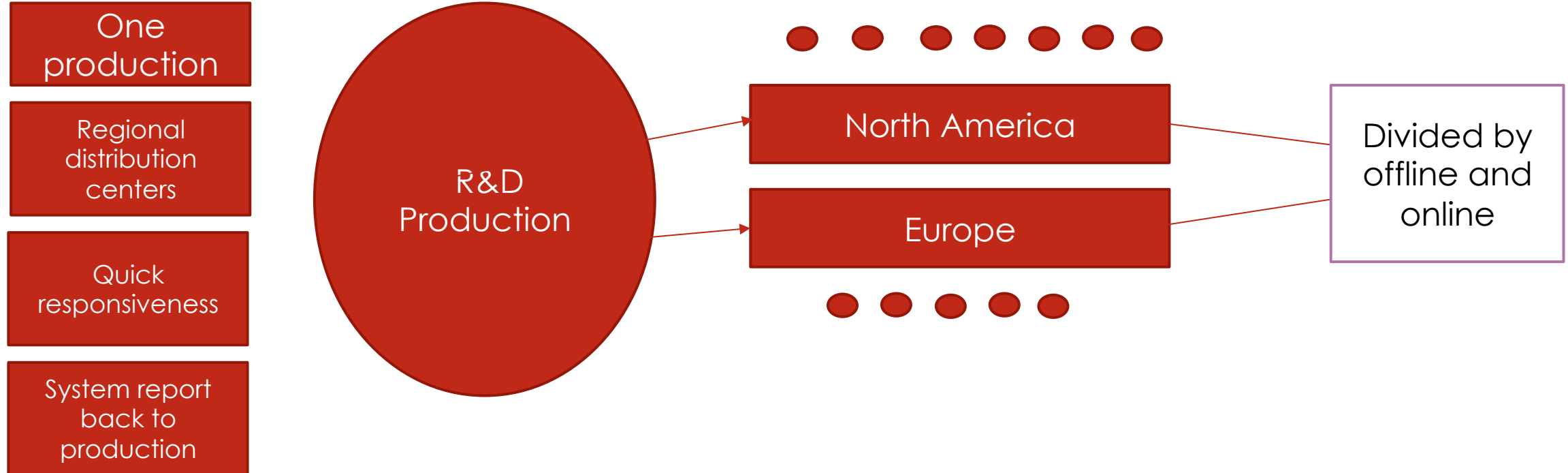
Keep existing production structure in Asia

- Focus on global sizing
- Utilise on history of knowledge
- Focus on the unique technology focus within Uniqlo

Sustainable approach

- Geographically centered
- Water use low
- Power to effect

Increase customer responsiveness through better a distribution structure



Being there for the customer, whenever they want, wherever they are

Creating the 360 degree experience

- Currently there is more focus on offline than online
 - 4% of sales but strong growth potential
 - Europe and North America are highly developed with big needs.
- Re-invent online platforms – APP AND ONLINE
 - Become more available for target group
 - More choices – need to adapt
- Create online community
 - Virtual experience, try-outs, customer service, sizing, style advise
- Delivery options
 - 2-day shipping – Regional warehouses
 - Alternatives to fit every customer

UNIQLO will communicate the IT OMNI channel approach through multi-channel marketing

- Communicate innovativeness, quality and low price
 - One product: Many styles
- Market through the “IKEA way”
 - JAPAN AT HEART
 - Functionality and simplicity

ONLINE

- Social media
 - Bring back the simple
- Simple is the opposite of boring
- “One shirt used in 10 different ways”

OFFLINE

- In-store advertising
- Event association
- Sponsorships

Timeline

		2016	2017	2018	2019	2020
Production						
	Internal com.					
	global size measure					
Distribution						
	Research locations					
	Lease and setup					
	training					
	Inventory systems					
OMNI Channel						
	Setup of platform					
	R&D					
Marketing						
	Offline					
	Online					
	Continous communication					
Monitor and measure						

New investment in U.S and Europe

Investments	2015	2016	2017	2018
Physical				
New distribution center				
2 large	293,866,667	222,933,333	222,933,333	222,933,333
7 smaller US	232,306,667	156,053,333	156,053,333	156,053,333
5 smaller Europe	146,933,333	111,466,667	111,466,667	111,466,667
Production, global sizeing	14,693,333	11,146,667	11,146,667	11,146,667
Logistics	69,692,000	124,842,667	124,842,667	124,842,667
Total	757,492,000	626,442,667	626,442,667	626,442,667
Digital				
Omni	37,874,600	18,937,300	9,468,650	4,734,325
New improved website	15,149,840	7,574,920	3,787,460	1,893,730
New app		37,301,813		
Online marketing		34,087,140	41,964,540	41,964,540
Release campaign	30,678,426			
Customer service	7,574,920	6,264,427	6,264,427	6,264,427
Total physical and digital	848,769,786	730,608,267	687,927,743	681,299,688

Split view of new distribution centers

Regional US	2014	2015	2016
Leasing of building	2,533,333	2,533,333	2,533,333
Set up costs physical	11,400,000	506,667	506,667
Set up costs digital	253,333	253,333	253,333
New employees	19,000,000	19,000,000	19,000,000
Total	33,186,667	22,293,333	22,293,333
Total of 7 regional	232,306,667	156,053,333	156,053,333

Regional Europe	2014	2015	2016
Leasing of building	2,533,333	2,533,333	2,533,333
Set up costs physical	11,400,000	506,667	506,667
Set up costs digital	253,333	253,333	253,333
New employees	15,200,000	19,000,000	19,000,000
Total	29,386,667	22,293,333	22,293,333
	146,933,333	111,466,666	111,466,666
Total of 7 regional	3	7	7

New distribution centers Yen	2014	2015	2016
Leasing of building	25,333,333	25,333,333	25,333,333
Set up costs physical	114,000,000	5,066,667	5,066,667
Set up costs digital	2,533,333	2,533,333	2,533,333
New employees	152,000,000	190,000,000	190,000,000
Total	293,866,667	222,933,333	222,933,333

Assumptions made to secure the new implementation strategy

Assumptions

- Higher growth than industry due to new market potential = 19 % compared to 9,5%
- Distribution centers the main new investment cost, split up in physical and digital costs
- Digital marketing strategy the other main category of investment costs
- In total employee: 120 worldwide in distribution centers and digital maintenance

Net change with implementation nearly doubles the profit to 2018

Yen	2014	2015	2016	2017	2018
Revenue	1,380,000,000	1,650,000,000	1,963,500,000	2,336,565,000	2,780,512,350
Costs		848,769,786	730,608,267	687,927,743	681,299,688
Net change when implementing	1,380,000,000	801,230,214	1,232,891,733	1,648,637,257	2,099,212,662

**Near
double in
net profit**



Risks are manageable

RISKS

1. Inventory level too high at main distributor
2. Channel cannibalization
3. OMNI channel strategy not attracting customers
4. Shipping from distributor to end customer not feasible

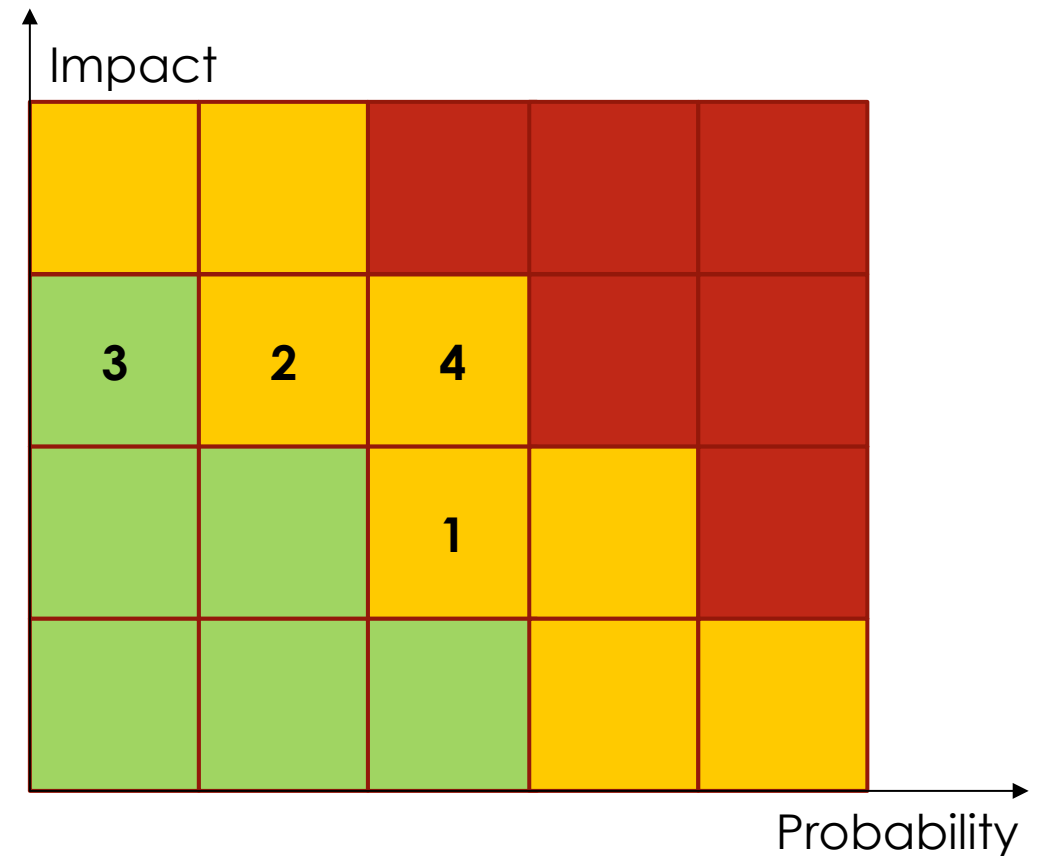
MITIGATION

1. Through IT-solutions and with focus on forecasting
2. New channels will mainly lead to new customers not change the existing consumer pattern
3. Extensive consumer research and marketing campaign to increase awareness
4. Multiple shipping options and local distribution centers

No risk in the highest zone

RISKS

1. Inventory level too high at main distributor
2. Channel cannibalization
3. OMNI channel strategy not attracting customers
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