

# A Comprehensive Research of the Supply Chain of Uniqlo

## A Report for Uniqlo Scholarship Winter Program (Supply Chain Reform Direction)

Chen Wang\*

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\*Undergraduate in Software Engineering, Software School of Fudan University; Software Development Engineer at Amazon Shanghai Institute of Artificial Intelligence, Amazon Web Services. (cwanam@amazon.com)

# 1 Abstract

# 2 Keywords

# 3 Introduction

# 4 The Concepts of Supply Chain and Specialty Store Retailer of Private Label Apparel

In this section, the specialty retailers of private label apparel (SPA), which is a form of chain store and supply chain supply chain system (SCS) chain store, are the focus of our research. Explore non-market approaches “born-global” companies use to take advantage of overseas locations. The fast case study is SPA, so the retail business we will focus on has the locational benefits that can be gained by internationalizing some of its business processes to the company-specific benefits. (Note: The above is fairly unknown. "The Fast Retailing Co., Ltd. is used as a case. SPA's research business process has taken place advantage to internationalize some of it. The advantage of a competitive SPA lies in the ability of the organization to operate the SCS, in that it first summarizes the existing research on the SCS, necessitates a strategic perspective, and then the SCS is characterized by the And the benefits of SPA.

## 4.1 Existing research on SCS and strategic perspective

The supply method known as the “just-in-time” system, and the parts procurement network used by Toyota, allow companies to develop their own SCS. Of particular importance to the rules of thumb used by Toyota is that “the company result depends on the quality of operation that uses external management resources, including the out-sourcing business.”

From the viewpoint of lean operation, Cox (Cox, 1999, pp.167-168) has 8 features:

- (1) We aim for perfection to provide value to customers.
- (2) Only for actions that produce what is extracted from customers just-in-time and create a focused value flow.
- (3) Focus on waste removal in all in-house operational processes and externally, overproduction, standby, transportation, improper processing, defects, unnecessary inventory and movement.
- (4) All participants in the supply chain are stakeholders and need to add value to everyone in the business.
- (5) Closer, collaborative, reciprocal, not trustworthy (win-win), arm length and adversary (win or lose), supplier relationships.
- (6) Work with suppliers to create a lean, demand-driven logistics process.
- (7) A desirable long-term relationship that reduces the number of suppliers and works more intensively with a given supplier.
- (8) Create a network of suppliers and build a common understanding and learning products and services on waste reduction and operational efficiency in existing deliveries.

Cox is a company and its suppliers. Later, he defined SCS as the following pattern of operations: Avoid waste and add value to your customers. Avoiding waste levels when cooperation between companies and their suppliers is optimal. (Five). Cox introduces a strategy-level concept that highlights the unique nature of the operational supply chain (Cox, 1999, p.168). He underestimated the importance of vertical relationships between companies that systematically criticized existing strategic research. He referred to the concept of core competence as existing work. The success of the technology and resources business owned and managed by

companies that regard the concept of cockscore competence as an internally defined concept. Therefore, Cox could not explain the supply chain in which the core conceptual capabilities existed between some companies beyond the boundaries of the company. Finally, he has strategic management. In other words, Cox discussed SCS at the strategic level.

## 4.2 Characteristics of chain store SCS

“In the case of a chain store, each product is just a part, a material.” This description is a description based on recognition for chain store SCS.

A manufacturer’s end product is made up of many parts and materials. Therefore, customer satisfaction is achieved by connecting the procurement system parts and materials in the production system. But from a chain store perspective, a manufacturer’s finished product is simply an intermediate in the parts, materials, and marketing process. The finished product chain store is a variety of products that customers demand. For this reason, assortment is an important word. The meaning of “assortment” is defined as a result of commercialization by retailers. That is, to achieve customer satisfaction, retailers need to determine the goods they sell, and the price and quality of the goods. It is determined by this choice as it appears in the merchant retail store. We have selected this product group as assortment.

In summary, the chain store’s production system is complete. Chain store results by the quality of the procurement system. Manufacturers examine the quality and price of product parts and materials while avoiding waste. At the same time, as a manufacturer, chain stores examine quality and price. Each product functions as a part and material and wants to avoid waste. This means that unsold products are removed from the shop floor. The tendency to avoid waste in this chain store is that the products that customers demand are perfect. Customer demand by providing a complete assortment of goods that chain stores meet.

Usually, the sales system is a production system for retailers. Therefore, sales capacity is considered a criterion for judging the results of the retailer. However, adaptation and modification of the procurement system to the production system, merchandise procurement system, and chain store chain store sales system. For example, some mottos are “high quality, low price”, “daily low price”, etc., sales system. Rather, the motto requires a customer. This is the result of the sourcing system starting from trying to meet. client. These mottoes reflect the assortment offered by chain stores. Or, try to offer.

The main activity of SCS of the chain store is “assortment” (Yoshida, 2001). This edition is an activity that retailers will consider a combination of products assorted in shop flowers. In other words, edition is an activity that retailers consider an assortment to meet customer satisfaction. Therefore, the edition activity is to resolve any discrepancies at the end of the marketing process, creating and delivering customer satisfaction. In other words, creating and delivering customer satisfaction that completely eliminates inconsistencies at the end of the marketing process. Customers by assortment retailers provide. Therefore, assortment processing is a starting point for marketing.

Specifically, the intent of the store to completely eliminate chain conflicts is embodied in the assortment offered to the end customer. The realization of this assortment depends on the assortment editing activity. Therefore, the assortment edition, the actual assortment of chain stores, and strategic subjects. In the case of chains there is no point in categorizing goods according to the assortment, edition and edition. In other words, the SCS product of the actual source activity is the main role and is strategically important. So our ability to organize quality SCS is our company. Therefore, SCS is not just a supply chain. Rather, it is a type of organizational behavior and can occur at the end of the marketing process. And organizing the behavior of competence organizations is a company-specific advantage (6).

## 4.3 SPA’s competitive advantages

Chain prices alone have no competitive advantage at low prices. It’s easy to use low prices as a basic tactic, but it’s just one aspect of SCS procurement activities. In short, this tactic arises from non-price competition.

Therefore, after defining the feasible range of the assortment, the practical ability to procure within that range is the ability to organize SCS (Yoshida, 2001).

The smaller the feasible range of the assortment, the narrower the scope of the procurement activities of the product: Therefore, solutions that require removal of ranges and discrepancies are deepened. Conversely, the greater the feasible range of assortment, the lower the density of product procurement activities. The easy-to-use chain has 50,000 items that image the qualitative differences between the activities stored, and the assortment of goods and the chain store with only 10 items edit the assortment. It is a general store (GMS) chain store, SCS. GMS overcomes the strategic subject of editing the assortment in the store floor, and it is impossible to achieve an assortment of goods along the edition. This indicates that GMS intends a high assortment of customers that could cause inconsistencies with chain stores.

Chain stores are trying to reveal their unique competitive advantage by infusing each product with its own strategic intent. In other words, if the chain store establishes a competitive advantage, it will edit the assortment by removing the inconsistency between the store and the customer, and the goods in line with this edition that will practice the actual assortment behavior, The intentions that make will be natural The unique strategic intentions will penetrate to each stage of production functioning goods. This will affect the assortment, even if the product is a national brand. For example, vegetables are cultivated, production is not only aimed at securing the supply of vegetables, but with large seasonal price fluctuations. The contract is part of a procurement activity along a proprietary edition of the assortment. That is, the contract contains not only a negative intent to secure supply, but also an aggressive intent to realize an assortment of editions. This is an important element of SCS. Also, if a national branded product is inconsistent or does not fit its own edition of the assortment, it is natural that the product has been destroyed from the assortment. As a result, private brands are created by chain stores.

SPA is a type of chain store that specializes in clothing, and a company that edits its own assortment using private brands (7). The private brand assortment is the key to SPA achieving its unique strategy. SPA will consider an assortment of editions using a private brand assortment, building commodities, and security SCS to source commodities according to their own intent. This gives SPA an advantage over other chain stores.

## **5 The Growth of Uniqlo Business of Fast Retailing Co. Ltd.**

This section describes the Fast Retailing (FR) Uniqlo business. First, an overview. Second, the history of Fast Retailing is shown. Third, I will discuss the “all better change” (ABC) activities that have had a significant impact on FR’s management style. Finally, the current status of FR is displayed.

### **5.1 Overview of Fast Retailing’s UNIQLO business**

FR is responsible for the entire business process from planning to sales. The casual wear product brand is UNIQLO. FR operates a UNIQLO chain store. UNIQLO is a casual wear brand and the name of a chain owned by FR. FR considers casual wear widely. The company does not sell formal wear, such as swallow tail coats or evening dresses. We sell underwear, belts, caps, bags and other products. In this sense, the range of items that FR sells is casual wear and the items needed to wear casual wear.

FR’s total sales and stores have grown significantly since it opened in 1984 ( see Figure 2 ). Total sales in 2001 were 418,500,000,000 yen. There are 519 stores. Ordinary profit was 103,200,000,000 yen and the ordinary profit ratio was 24.7 %. In 2002, gross sales are expected to decline due to rapid growth in 2001. Total sales in 2002 were 204,800,000,000 yen. The expected ordinary profit is 38,500,000,000 yen. The estimated number of shops is 555. FR has recorded sales and profits for 11 consecutive years. The shares were listed on the second section of the Tokyo Stock Exchange in 1997 and on the first section of the Tokyo Stock Exchange in 1999 (Togawa et al., 2000, P.26). In August 2001, the company employed 1,598 full-time and 10,674 part-time workers.

FR's corporate philosophy and management principles were developed by Tadashi Yanai, the founder of FR. The corporate philosophy is represented by the 23 points shown in Figure 3. Much of this philosophy involves universal and simple content, applies to every company in every industry, and then internalizes the founder's belief in "naturally customs" (Togawa et al., 2000, p. 127). "FR lists the following three points as key guidelines for the Uniqlo business."

- (1) Always improve the product
- (2) Strengthen low-cost operations
- (3) First to place customers

To prioritize customers, Uniqlo maintains a clean shop and full inventory, and allows returns for three months from the date of purchase. Through strictly maintaining these principles of the UNIQLO business, FR plays a key role in managing that customer satisfaction is at its highest position, playing with the belief that customers can achieve their management.

The operational characteristics of FR are implied by company name. First of all, fast means instantly generating the demands that customers have on a commercial basis. The phrase also reflects the founder's strong desire to become a retailer with a "fast food concept." The idea is, first Fu, such as McDonald's was to transfer the concept of the company in the clothing industry. First of all, fast food can be eaten anytime, anywhere. Similarly, UNIQLO branded garments are produced with the goal of allowing anyone to wear them anytime, anywhere. FR products are popular and basic because they target "anybody, anywhere, anytime".

Low prices are affordable products for everyone. In addition, FR is sold in unisex style for all ages. Second, fast food stores offer the same items and services all over the world. UNIQLO, a FR shop, aims to provide the same items and the same services at all shops throughout Japan. For Uniqlo, each store uses standard layouts and operating procedures (Chikae, 2000, pp. 110-111). Third, companies that operate fast food chains have their own systems of planning, development and sales. Similarly, FR designs, plans and sells its products. FR organizes production networks in China and Southeast Asia. FR sells its products in its own sales network, the Uniqlo shop. Chapter 4, the fast food company 1 sells a single product in large quantities. A fast food restaurant and the same way, FR for large-scale 1 to produce a single product, offers at a low price in all stores. This idea is supported by the fact that inventory is limited to 200 items (Hatano, 2000, p.34). Finally, fast food companies prioritize reducing labor costs. FR will build a store of the same size as possible (approximately 495 square meters) and place it in the suburbs (Wol, 2000, p. 25). The name UNIQLO is meant to imply "a unique clothing warehouse." UNIQLO is a store similar to a warehouse. This style prevents waste. Uniqlo uses a "help yourself" system modeled after a supermarket. The cost of starting a new store is between 60,000,000 and 70,000,000 yen (Chikae, 2000, p.110). FR practices labor-saving and low-cost construction.

## 5.2 Establishment of UNIQLO

FR started with men's clothing store Ogori Trading. The company, 1949 in Ube City, Yamaguchi Prefecture in years, FR of the CEO was founded by Hitoshi Yanai is Tadashi Yanai of the father is. Shoji Ogori was run by Hitoshi Yanai. The main seller was high-quality formal wear for gentlemen (Okamoto, 2000, p.87). The company purchased goods from Gifu and Nagoya, which are involved in the textile industry. The current FR of CEO is a positive Yanai is a 1972 joined years. He graduated from Waseda University in 1971 and later worked at JASCO, a major Japanese chain. Ogori Shoji sold well-known Japanese casual wear brands, including formal wear for gentlemen, foreign brands of high-quality women's dresses, and VAN. In 1984, when Tadashi Yanai assumed office as a director of Ogori Shoji, he established UNIQLO. The first store opened in Hiroshima near Ube City. The bubble economy started around 1985. At this time, expensive designers and "character brand" fashion were popular in Japan. Under these circumstances, UNIQLO started its business using the concept of selling casual wear at low prices. The concept is represented as follows: "In the store you can buy clothes like a magazine." Shop 10 decided to target a boy of generations. At this time, the Uniqlo concept has not yet been fully developed. The store inventory did not include the Uniqlo brand. However, it was characterized by low prices. The "help-yourself" system has been adopted. This system

was started by Yanai who believed that high-quality shops must serve their customers, but that casual wear customers can help themselves. In 1984 , Ogori Syoji became the chairman of Chuchu Yanai .

In June 1985 , UNIQLO opened on the outskirts of Shimonoseki. 10 May, similar Uniqlo shops in Okayama 2 was hotels open. The store was built to look like a warehouse to save construction costs. This style has saved overhead. Most of the Uniqlo inventory has been imported. In 1985 , the yen exchange rate increased significantly in Japan. Still, the cost of goods purchased by FR did not decrease. Therefore, FR needed to reduce overhead costs to achieve lower prices at the point of sale . In 1988 , the franchisee was adopted to reduce costs by purchasing large quantities. On the other hand, the opening of new stores has made it difficult to steadily find sources of high-quality, low-priced products.

In 1987 , Yanai went on a Hong Kong tour, visiting a company called Jelldarno, which had a brand name of the same name . This brand was sold in the United States and Europe. The company had a SPA format. This brand has a reputation for high quality and low price. Yanai has decided to outsource the production of Uniqlo branded items to a factory that manufactures Jelldarno products . This was the first step towards developing a SPA that controls planning, production, distribution and sales . This system is modeled on GAP . In 1988 , the Point of Sale ( POS ) system was introduced. POS systems use computers to quickly track inventory in stores and make that information available to headquarters. With the introduction of this system, management from planning to sales has become possible. In the same year, FR began full-scale development of the Uniqlo brand ( Okamoto , 2000 , p.111 ). In February 1989 , FR established an Osaka office to enhance product development. The office involved a supplier in the development of a specialty product. In 1989 , FR also built a distribution center. In 1990 , the computer system was updated to handle internal merchandise and sales information. In 1991 , the company name was changed from Ogori Shoji to Fast Retailing. Total sales were 7,179,000,000 yen and there were 29 stores.

In 1992 , Ogori Trading, which specializes in formal wear, was changed to UNIQLO, and all FR shops became UNIQLO. New computer systems have been introduced to grow the business and implement management strategies. In 1994 , the number of FR shops exceeded 100 . In July 1994 , FR shares were listed on the Hiroshima Stock Exchange. List FRs released from financial issues such as bank loans . FR moved quickly to open more Uniqlo shops. In 1996 there were more than 200 stores and in 1997 there were 300 stores. Then, FR shares of the Tokyo Stock Exchange 2 was listed on the second section. On the other hand, to strengthen the Uniqlo brand in, FR is 1994 years 12 founded the design subsidiary in New York in May. This subsidiary FR is 100 owned%, was aimed at enhancement of the design and information collection. In order to strengthen the production, FR is 1996 founded the production subsidiary in China of Sandton in years. The subsidiary was a joint venture between five companies , including Nichimen, a general trading company, and a Chinese company. FR 's investment ratio was 28.7 %.

In 1997 , FR launched Spqlo , a casual sportswear shop and Famqlo , with 9 new types of shopping and shops as children and women as new businesses . But these businesses were not very successful. Under these circumstances, the total sales of existing UNIQLO stores were below the level of the previous year. As a result, the increase in revenue and profit from all shops was achieved by the sales generated by the construction of the new shop. 1997 to the year, Sawada Takashi, FR original COO is, Itochu left Syoji of (a comprehensive company Syosya a) FR took part in the management of. Sawada, in response to a request of Yanai, FR in order to improve the sales results of 4 made a single proposal. He first suggested closing the Spokro and Famcro stores. The problem was that entering a new business dispersed the vector of employees. In 1998 , FR closed its Spocro and Famcro shops. His 2 -th proposal, was to review the UNIQLO business. Third was to simplify the business. Until 1997 , UNIQLO Shops sold other brands. The brand was sold at a low price to attract customers. UNIQLO's marketing goals were not clear to its staff and customers. Therefore, the FR clarified its purpose. UNIQLO has launched sales of its own brand of casual wear. His 4 th proposal, was to close the New York design office. The offices in Osaka, New York, and Tokyo each had separate design facilities until 1997 , but the overall approach was inconsistent. These offices were merged in 1998 and a new office was established in Tokyo. In 1998 , a new FR board was appointed. FR 's management was young and under the guidance of Yanai and Sawada. The above improvements are currently being carried over as "All better change ( ABC )" activities.

### 5.3 ABC activity

Yanai is, 1998 years 6 began in May ABC the nature of the activity was defined as follows: (iro incarnation, 2000 years 1 month, 36 pages).

“So far, headquarters have been thinkers and stores have practiced. We will change this style to a new style of thinking and practicing in all workplaces, including shops. Change to a style that meets the needs of the customer, that is, how to produce marketable products. ABC activities are literally everything that changes.”

The first part shows that the headquarters will take the initiative and change the store operation to a store operation that is autonomous by the store manager. A management manual was used at UNIQLO shops to standardize operating procedures in Japan. It was good management to practice the manual in the store. On the other hand, reliance on manual, or take away the thinking ability of the manager, the store did not use the idea of the length. Gradually, the negative effects of the manual exacerbated the FR problem. To change the situation, FR has changed its organization and HR policies. At this point, the FR manager was not responsible for the sale. They were evaluated based on cleanliness, inventory management and human resources management. Since July 1998, sales have been added to the list of responsibilities. In February 1999, the Superstar Manager system was introduced. The Superstar Manager was a full-time FR staff member, whose annual income depended on shop performance. The system has changed management by linking performance to rewards. 2001 In the year, 520 in the person of the manager 30 there was a person of superstar (Weekly Toyo Keizai, 2001 year 11 March 3 days, P.34). In addition, a supervisory position was created and promoted. Supervisors were responsible for several shops in defined areas and served as sales coaches. A supervisor location was set up to identify problem areas within the store and work with headquarters and store staff to resolve the problem.

Later in the statement on ABC's activities, Yanai mentioned the shift from selling products to manufacturing marketable products. This change is a matter of restructuring the supply chain system (SCS). FR's design office has been integrated into Tokyo, strengthening the unification of the UNIQLO brand. FR narrowed down the items from 200 to 300. FR, instead of increasing the number of items, in order to reduce the cost 1 was creating a lot of one item.

FR is to introduce a system with a sales strategy with the weekly demand forecast, 1998 years 10 has been changed a production plan to match the sales of the May plan. In 1998, 90 % of FR products came from factories that contracted production in China. FR has reduced the number of factories from 140 to 40 (Guisen, 2000, p.24). FR is 2001 in year 85 of the plant (60 commissioned the production of clothing company). Most Japanese SPA companies have consigned production contracts with factories in China via general trading companies. SPA companies have turned production management and quality control into the hands of a general trading company. In opposition to this position, FR is 1999 years 4 a Shanghai office in May, the same year 9 founded the Guangzhou office in May. The China office has 90 local staff members who visit the factory every Tuesday to Thursday to work directly on quality control. Also, since 2001, FR has organized a skilled team called Takumi. The team members are experienced Japanese engineers. They are a group of people who have worked for a Japanese textile company for a long time and have experience as factory managers. The following people work for the artisan team (Chikae, 2000, p. 18):

Hidetoshi Murakami, 53 years old, a sewing expert with 30 years of experience. Ota Michio, 65 years old, dye expert with 45 years experience.

This team consists of 14 people. In one month, one person visited 10 factories in China and transferred factory management and sewing technology. In addition, in May 2001, FR established an online system between these Chinese contract factories and the Japanese headquarters. Factory production data is sent online to headquarters. In addition, orders can be immediately delivered to the factory based on sales data. FR has established a production system that produces 50 % of the production plan at the beginning of the season and produces the remaining products according to the sales volume in stores. FR shares production information with several material companies that are responsible for the production of cotton, yarn, textiles and dyes. FR links production and sourcing of materials.

To manage distribution, FR staff reviews products delivered to a Chinese trading warehouse. FR has

distribution centers in Tokyo and Osaka. Distribution centers classify primary products by size and color. Products are delivered to the shop three times a week . Delivery is to an external company.

In November 1998 , FR opened a new shop in Harajuku, Tokyo. FR has changed its advertising strategy from using house-to-house flyers to a multimedia approach that uses newspapers, magazines, and television. As a result, the Harajuku store was successful and the UNIQLO brand was strengthened. At the same time, the possibility of developing a store outside the suburbs was shown. In addition, FR was listed on the first section of the Tokyo Stock Exchange in November 1999 . A new computer system, introduced in October 2000 , allowed inventory control by color and size with sales demand defined as sales information management. Minimum number of units. By introducing this system, it is possible to practice adjustment for production in a smaller unit than the current unit. In 1999 , some shops could be ordered directly from the factory instead of relying on headquarters. By 2001 , 100 out of 520 stores could be ordered directly in items, colors and sizes. This system will be introduced in all shops in 2002 .

## 5.4 New subjects

ABC activities continue today. ABC activities meetings are held every Monday morning (about 70 people in total ) by managers such as section managers. At these meetings, we were able to discuss company issues. These meetings and the sales meeting held on Monday afternoon were important for making decisions about the normal operation of the FR . The sales meeting was used to discuss sales between sales representatives, supervisors, and store managers. The results of ABC activities have had a significant impact on the establishment of FR business processes. Figure 4 shows the business process.

FR is involved in too many projects. FR continues to make progress after establishing business processes. In 1999 , FR launched a mail order business using brochures. In January 2000 , FR collaborated with Simree in the mail order business . Simree is a company with mail order experience. In October , a mail-order system via the Internet was launched. In addition, some existing suburban stores have been closed, and FR is building new luxury stores.

In June 2000 , Fast Retailing ( UK ), Ltd. was established as a preparatory stage for developing UNIQLO overseas. In September 2001 , four UNIQLO shops opened. The locations were Knightsbridge, Wimbledon, Axbridge, and Romford. The conditions for finding a store were different from those used in Japan. Knightsbridge is a downtown shop. The Wimbledon shop is on High Street in this town. Uxbridge and Romford shops are located in suburban shopping malls with large parking lots. Due to legal differences between Japan and the UK, it was not possible to use locations along roads outside the UK. Building space is limited, so finding a store for the FR is an important issue. UNIQLO inventory is generated in China. The UK has a quota for imports from China. Thus, as the number of shops grows, maintaining the source of the product becomes an issue. Genichi Tamatsuka , the manager TheU.K . It emphasizes the importance of partnerships that form operational and production contracts. FR is, FR in order to achieve the product quality is desire, look for a partner that can build a cooperative relationship. And if such a partner owns a factory in a country where the UK does not charge quotas, FR must resolve the issue of suppliers in the UK market. FR is required to establish a supply mechanism that emphasizes meeting customer demand in the UK. In addition, in order to enter the Chinese casual wear market, 2001 years 8 to China in May Fast Retailing (Jiangsu) Apparel Co. to determine the success of the future in overseas markets.

## 6 General Analysis of Uniqlo of the Supply Chain of Uniqlo

The point of our discussion is to consider the meaning of a company starting an international business without advantages. FR is analyzed from two perspectives. First, I will explain FR's relationship with international business. This includes considering whether FR is a "born" company. Next, we analyze FR's location advantages in China. We will also consider why other SPAs cannot mimic the FR model. After these discussions, we analyze the implications of businesses without advantages engaging in international business.



## 6.1 Is FR a “born” company?

We borrow the concept of the definition of “global company” from Oviatt and McDougall (1994). They argued that it was essential for “global” companies to have an international origin. In other words, “global” companies need to invest resources in multiple countries. Therefore, the explanation is (Oviatt and McDougall, 1994, p. 49): “They do not necessarily own foreign assets; foreign direct investment is not mandatory; they can arrange strategic alliances to use foreign resources such as manufacturing capabilities and marketing .” You need to determine if Fast Retailing (FR) is inherently global. The criterion is whether the company uses foreign resources from the beginning. In the case of FR, the origin was 1949. It was Shoji Ogori started by the father of FR CEO. Ogori began selling formal wear for men. Later, the company expanded dress and casual wear and sold it to women. In this sense, Tadashi Yanai joined the company in 1972. When he served as Managing Director in June 1984, he launched a casual wear shop, UNIQLO. After UNIQLO was established, Yanai became the chairman of Ogori September 1984 Shoji decided that he would operate UNIQLO as a business of Ogori Syoji. Therefore, 1984 can be considered the year of establishment of UNIQLO in FR. UNIQLO was initially a competitive clothing store focused on casual clothing for teenagers at low prices. The competitive strategy was supported through the procurement of low-priced products. FR inventory was from foreign countries, including Hong Kong. When prices for foreign goods did not drop, warehouse-style stores were devised. Since the beginning of UNIQLO, business relationships with foreign companies have been a key factor in the competition to make products cheaper than Japanese companies. In other words, for FR to grow, it had to use foreign sources to keep prices low. In 1984, the only aspect of the business managed by FR was sales. However, in the business process, there were business relationships that used external resources (see Figure 5).

Here we insert Figure 5 (the 1984 FR business process). In summary, FR used foreign resources from the beginning. To determine if this company is a “global company”, you need to determine whether it used foreign resources from the beginning. FR did; therefore, we can conclude that FR was a “global company”.

## 6.2 Location advantages and organizational capabilities

FR has adopted SPA foam. The ability to organize a supply chain system (SCS) has been shown to be a significant advantage for SPA companies. SCS is a system that realizes an ideal product lineup. To achieve an assortment, some activities of SCS have to find some countries. The reason of this place is to integrate the advantages of the places that exist in each country into the SCS. In other words, location benefits add value to each product. In addition, organizational capabilities increase the value of the store to the customer and achieve the company’s intended lineup. In summary, the goal of SPA internationalization is to combine attractiveness of places with organizational capabilities to form an attractive assortment. In the case of FR, when UNIQLO was established in 1984, FR management was limited to sales functions. The only way to turn a foreign location advantage into a FR advantage itself was to procure products produced by foreign manufacturers by trading in international markets. Although FR’s strategy was to target teenagers in the casual wear market, the company had limited ability to get the products its customers wanted. Assortment editions and sourcing activities are related to each other. Due to the limited procurement capacity of the goods, the assortment is compiled from the goods that can be procured. The inability to edit the assortment as a strategy drives the establishment of a system for procuring products. In 1987, FR began producing commissions in the chain, and the number of factories that contacted for commission production increased. In 1988, FR began to enhance product planning and design. A design office was established in Osaka in 1989. In 1988, FR introduced a computer system to manage the sales of individual stores. As a result, FR was able to control product planning, part of production, and sales (see Figure 6). Figure 6 (FR business process for which commission creation has started) is inserted here When FR procured only foreign brands through market transactions, location advantages were incorporated into the products purchased. However, by starting commission production with a partner, the advantages of the place are factors that determine the attractiveness of the product. Most of the factories FR uses to manufacture products are made in China. The next factor is the advantage of using factories in China (Weekly Toyo Keizai, November 3, 2001, p. 44). First, the labor is cheap. China’s wages are 1 / 30th of Japan’s. For the 700 million people that make up the working population, those working in the agriculture and fisheries industries move to urban areas to become factory

workers and return to agricultural areas within three years. This means that labor costs do not increase because of the use of unskilled workers. Second, China's main industry is the textile industry. In Shanghai, you can easily source the materials you need to make garments, such as buttons, zippers, and fabrics. The price of the material is very low. To integrate the benefits of using a Chinese facility into SCS, it is important to strengthen cooperation between FR and Chinese factories. In other words, strengthening relationships with foreign factories will enhance SCS's organizational capabilities. After commissioning commenced, FR's targeted assortment of editions increased the likelihood of being realized by FR's subjective intent without being affected by market conditions. However, FR could control very few parts of the entire business. Most products are foreign-made. However, if each activity in the FR business process is not enhanced, it makes less sense for the FR to control all business processes. A design subsidiary, founded in New York in 1994, aims to enhance product planning. The design subsidiary assumes that FR wanted to integrate the benefits of location into business processes (see Figure 7). Figure 7 (FR business process after the establishment of a design subsidiary) is inserted here. When the design firm was reorganized in 1998, the design subsidiary in New York was closed. The reasons for reorganizing the design offices in Osaka (established in 1989), New York, and Tokyo (established in 1996) have been described earlier. The Uniqlo brand did not have the uniformity of three independent offices. In other words, the assortment version that FR doses is not clear as FR strategy. It was the effect of procurement on products that FR could actually procure. This was the result of confusing the lineup that FR envisioned as a strategy and the lineup that FR could actually procure. In the restructuring of the UNIQLO business that started in 1998, FR decided that the FR should aim for the assortment of its confirmation, only the UNIQLO brand, and basically assorted products at UNIQLO stores. Therefore, the business process of FR was simple (see Figure 8). Figure 8 (FR business process since 1998) is inserted here. FR was a real SPA form with a selection of UNIQLO branded products at the UNIQLO shop. By using SCS and realizing an ideal assortment, it becomes a real SPA form, and FR has an advantage over other forms of commerce. In short, FR can ensure an assortment that will satisfy its customers. On the other hand, the FR has to bear the cost of maintaining the SCS. For FR, SCS rust means loss of competitiveness. Since 1998, FR has used the system to forecast customer demand and change its production plans weekly accordingly (see Figure 9). To maintain these benefits, FR needs to continually improve and invest in SCS. Here we insert Figure 9 (FR reorganized supply chain (conceptual diagram)).

This is an enhancement of the well-functioning SCS organizational capabilities. Each part of the SCS has been improved by enhancing the quality control system at the factory in China and promoting the transfer of technology by the artisan team. Through these activities, FR's production activities are taking advantage of the location advantages of China and increasing the value of the entire SCS. As noted above, as growth has grown, the FR has expanded the activities they can control. To achieve the ideal lineup, FR needed SCS to procure products. FR's SCS has been enhanced with a commission agreement with a Chinese plant. In order to integrate China's location advantages into organizational capabilities, FR has practiced many effort devices, such as implementing a quality management system.

### **6.3 The meaning of internationalization without benefits: internationalization to build benefits**

Global non-market globalization has no benefits. The answer is given in the analysis above. When UNIQLO was founded in 1984, sourcing low-priced products by engaging in business with foreign companies provided FR with certain benefits. As growth grew, FR expanded the activities it could control with SCS. At the same time, the capacity level of each SCS activity has been enhanced. Finally, all activities of the SCS have been brought under FR control. Behind this was the reason FR had to build an SCS to achieve the ideal lineup. The SCS needs to be built as a device that allows the company to procure the necessary products. In other words, through the procurement process, SCS must have the ability to add products to the elements that the company wants. Being part of an SCS activity in a foreign country means that the SCS can add extra factors to the product by integrating the locational benefits of the country where the activity is taking place. In the case of FR, FR's SCS was produced in China, so we can offer high quality products at low prices. Owning and operating such an SCS is an advantage of FR. As understood in the case of FR, internationalization of non-global markets is to integrate location benefits into their own business processes. By integrating the

benefits of location into business processes, companies can compete with other companies. Building and capturing the benefits of the business process itself is why non-market born global companies engage in international business.

## **7 Comparative Case Analysis Between Uniqlo and Giordano**

## **8 Analysis of Quick Response Based Supply Chain Management in Uniqlo**

## **9 Conclusion**