

CHAPTER II

UNIQLO COMPANY PROFILE AND THE NETWORK IN CHINA

In this chapter the author will focus on the discussion of the company profile of UNIQLO as a research subject which is one of the world's leading fast fashion companies. The author wants to show how UNIQLO stands and becomes a company that is expanding globally throughout the world. The author will also explain the network of UNIQLO in China.

A. UNIQLO Company History and Profile

After World War II ended, precisely in 1949, was the beginning of UNIQLO establishment. At that time the company was founded by Hitoshi Yanai who is the father of the current managing director Tadashi Yanai opened a men's clothing store named Ogori Shoji in Ube City, Yamaguchi Prefecture. In 1984 precisely when Tadashi Yanai was an adult, he founded a shop that sells casual clothing under the name Unique Clothing Warehouse in Hiroshima City.³⁰ The name "UNIQLO" itself arises from the combination of the words "Unique Clothing". The main aim of the UNIQLO company is to inspire the world by casual dress. In taking the name UNIQLO, the company has the brand philosophy "Made for All" as the company's slogan. In 1991 Tadashi Yanai changed the name of his father's company "Ogori Shōji" to "Fast Retailing".

³⁰ Staff abyad apparel pro. (2019, September 3). *Sejarah Tentang Uniqlo Dan Perkembangannya Di Indonesia*. Retrieved From Abyad Apparel Pro: <http://abyadscreenprinting.com/sejarah-uniqlo-dan-perkembangannya/>



2.1 The First UNIQLO Store

Before the 1990s, UNIQLO was not a product known to the wider community, Japanese people tended to see well-known brands and of course that could elevate their prestige. However, in the 1990s Japan's economy experienced a slump, until finally the Japanese state experienced an economic crisis.³¹ That was a bad story for the country as a whole. As a result, the purchasing power of the people at that time became weak, the people then looked for quality clothes but at low prices. UNIQLO was once underestimated and became very popular and always a talk of the Japanese people. They finally get a big profit by serving people who are trying to find cheap prices but still want to dress properly.

In 1994, exactly ten years after UNIQLO was founded, this company already had more than 100 stores in the country of origin. Having 100 of these stores, made this company famous because of increased public purchasing power and the location of UNIQLO stores were also easily reached.

³¹ Fauzan, I. (2017, June 9). Uniqlo dan Sejarah Perkembangan Toko Ritel Jepang di Indonesia. Retrieved from <https://ihsanhobbit.wordpress.com/2017/06/09/uniqlo-dan-sejarah-perkembangan-toko-ritel-jepang-di-indonesia/>

Every year UNIQLO got an increase in popularity which greatly increased in 1998 because the company has opened 300 UNIQLO outlets throughout Japan and also the company has launched a fur campaign in the same year.³²

UNIQLO 's profits and sales are not always easy, this company certainly never failed when they expanded from their home country. In 2002, this company experienced a failure where UNIQLO got a big loss because the company opened too many stores too fast when trying to expand overseas.³³ UNIQLO failed in its sales, failed in taking the brand identity before setting up shop, until finally the shops that had opened were forced to close again.

Seeing the failure conditions experienced by UNIQLO, the company then improved the company's management by creating a new strategy in finding customers. UNIQLO made a new strategy by adopting a strategy from America's big retail company, The Gap, which has a SPA (Specialty store / retailer of Private Label Apparel) strategy. The Gap company looks successful where they dress themselves and sell their goods exclusively.

After facing the failures experienced by UNIQLO, the company continues to grow and try to be as close as possible to the customers and also the athletes they sponsor. The athletes sponsored by UNIQLO are known as athletes who are not only proficient in sports but also have good and inspiring personalities such as Adam Scott, Roger Federer, Gordon Reid, etc. They are universally admired for their integrity and character, and for the optimism, respect, and humility they show to all people. UNIQLO combines professional insights from Global Brand Ambassadors with the most advanced proprietary technology, creating clothing that supports human performance at the highest level while bringing comfort and functionality to

³² FAST RETAILING CO., LTD. (2010, Desember 20). *1949-2003*. Retrieved from Fast Retailing : <https://www.fastretailing.com/eng/about/history/>.

³³ Uniqlo. (2002). *Annual Report 2002*. Tokyo: Fast Retailing Co., Ltd.

the daily lives of its customers.³⁴ The strategy undertaken by UNIQLO in collaboration with athletes can certainly have a major influence on marketing where buyers can be influenced by their idol athletes and what products they use.



2.2 Development of UNIQLO Retail Stores Worldwide 2002-2017

Until now UNIQLO still maintains its network in 18 countries as its target market, including in the United States, Europe and Oceania. UNIQLO had 6.0% market share in the world in 2008 and 6.5% in 2009. To maintain its marketing, UNIQLO made its production costs as low as possible so that it could quickly adapt to fluctuating market trends. The emphasis on production costs is done by reducing operating costs. Seeing the rise of economic conditions in the Asian region, UNIQLO took advantage of this opportunity to open the market and target new consumers who are currently financially stronger.

³⁴ UNIQLO CO. LTD. (n.d.). *Uniqlo Global Ambassador*. Retrieved from UNIQLO: <https://www.uniqlo.com/eu/en/company/sponsorship.html>

B. Fast Retailing as UNIQLO's Main Business



2.3 Fast Retailing Logo

In running its business, UNIQLO certainly does not run alone. They are a subsidiary of Fast Retailing.Co Ltd. Fast Retailing is Japan's largest apparel company, the role of Fast Retailing is to become a holding company engaged in the control and management of its group companies that are centered on casual clothing. Fast Retailing is responsible for product design, production, and sales for businesses that are founded on private-label clothing models. As the main company of UNIQLO, Fast Retailing takes on a greater responsibility to make a Policy. The policy outlines Fast Retailing's sustainability commitments and focuses its activities around four priority areas. These are: *Responsible Supply Chain Management, Responsible Products, Responsible Stores and Stronger Communities and Responsibility towards our Employees.*³⁵ Fast retailing had six principles in conducting sustainability activities.

1. Create New Value through Products and Services
2. Respect Human Rights in Our Supply Chain
3. Respect the Environment
4. Strengthen Communities
5. Employee Fulfillment Support
6. Corporate Governance

³⁵ FAST RETAILING CO., LTD. (2017, February 28). *About the Fast Retailing Group Sustainability Policy and Disclosure of UNIQLO Core Partner Factory List.* . Retrieved from Fast Retailing: <https://www.fastretailing.com/eng/sustainability/news/1702281430.html>

The difference in function between UNIQLO and Fast Retailing is that UNIQLO acts as a company that focuses on selling products to the wider community, while Fast Retailing acts as the holding company that operates and oversees the running of UNIQLO, and makes policies that can benefit the company.

C. The Meaning of Company Logos



2.4 UNIQLO Logo

All companies certainly have a logo as a corporate identity. The name taken from the company UNIQLO originated from a combination of the short form of "Unique Clothing". At that time an employee spelled the letter "C" written as "Q" instead. In the end Tadashi Yanai decided to change the company's name to "UNIQLO".³⁶ Mistakes made by its employees, it is considered to be able to make the company's brand to look cooler. In addition, UNIQLO made 2 languages in the company logo namely, Japanese and English. Logos are used on all products and their advertisements. The UNIQLO product logo design shows bold clothing.

³⁶ ASHLEY.E. (2016, Desember 4). *The Uniqlo Logo*. Retrieved from 'COURSE DESIGN MATTERS: <https://coursedesigmatters.wordpress.com/2016/12/04/the-uniqlo-logo/>

The logo shape created by UNIQLO reflects not only the essence of the brand but also Japanese design and workmanship. The original UNIQLO logo originally only featured in English and included a dark burgundy color in 1991. But in 2006, UNIQLO added Japanese by entering Japanese Katakana letters and also bright red colors to solidify the quality of its logo. Japanese symbolism can be seen from the colors and shapes. The use of red and white in the UNIQLO logo has a deeper meaning because the red and white colors are the same as the Japanese flag. The red color indicates color of enthusiasm and strength and tends to appear in company logos and large, iconic products. As a sign of ownership and authenticity, there is a square shape that resembles the name seal that is traditionally used in Japan. The stamp contains the motto, poem, or the name of the person or organization. It also revealed strong trade relations between the United States and Japan by integrating Japanese characters and Roman letters. The new logo is a simple representation of contemporary Japanese style.³⁷ With the meaning and significance of the UNIQLO company logo, making this company has a brand advantage that can represent their products.

D. UNIQLO's main Product



HEATTECH innerwear

2.5 Heattech Product of UNIQLO

UNIQLO has their superior product as their identity, one of UNIQLO's superior products is HEATTECH which is

³⁷ Morino, T. (2019). *The UNIQLO Logo Designed By Kashiwa Sato*. Retrieved from Toni Morino: <https://toni-marino.com/uniqlo-logo/>

the result of collaboration between UNIQLO and Toray Industries, Inc. HEATTECH is considered a unique, highly functional underwear that offers exceptional comfort, which has won many customers. UNIQLO developed HEATTECH in response to customer demand for functional underwear to complement the previous UNIQLO clothing line which was mostly cotton underwear. The main qualities of HEATTECH are its thinness, lightness and softness, and the comfort achieved by the elasticity of the fabric is so extraordinary that it continues to impress and satisfy their customers. Toray has the technology and manufacturing capabilities to meet UNIQLO's high quality standards.³⁸

With the creation of Heattech, this makes the wider community, especially the people of China, always entrusting products made by UNIQLO which in the process of using high-tech machinery and always maintaining the quality of ingredients in Heattech products. Not only that, Chinese people prefer UNIQLO products which always offer low prices but still maintain the best quality and can also be used by all people. So it's not surprising, UNIQLO got the first position in China in clothing sales.

Although UNIQLO offers low prices and also quality, the public does not know that there are efforts to sweat workers (Sweatshop) conducted by UNIQLO in the production of UNIQLO clothing.

E. Sustainability Program

Sustainability is a development activity carried out by UNIQLO in a sustainable manner by referring to the company's responsibilities in the environmental and economic fields (supply chain management, products, stores), as well as in the social field (community and employees).

³⁸ Teresa, S. S. (2014). Social Business as CSR: A Study on Grameen UNIQLO. *Internship report*.

UNIQLO always ensures that every factory worker has the opportunity to improve his life. This means striving for continuous improvement in the company's environmental performance. UNIQLO makes retail stores and offices a place that welcomes diversity and encourages inclusion. They treat people with proper respect and create universally loved products; UNIQLO's business continues to grow. And will continue to do it.³⁹ UNIQLO considers this as the beginning of their sustainability journey and the road ahead is challenging. UNIQLO collaborates with partners to be able to build a business that is suitable for the future and that helps make the world a better place.⁴⁰

F. UNIQLO in Asia

The outsourcing manufacturing strategy is carried out by UNIQLO abroad. By utilizing cheap labor in third world countries, UNIQLO contracts other companies or factories to carry out manufacturing activities abroad. UNIQLO focuses on a number of product designs to produce casual basics that are easily coordinated with other items as "clothing components." UNIQLO strengthens its ability to develop and buy materials and produce products. Then UNIQLO handed over to the company to produce targeted goods in large quantities, by increasing quality and reducing costs.⁴¹ Then, UNIQLO cooperated with local companies to build production facilities in countries allocated in Asia to get raw materials and get cheap human resources (labor). With the location of production away from most UNIQLO consumers in Japan, causing distribution costs to become more expensive, the mechanism of suppressing

³⁹ Fast Retailing Co, Ltd. (2017). *Sustainability Report 2017*. Tokyo: Fast Retailing

⁴⁰ *Ibid.*

⁴¹ *Fast Retailing Co., Ltd UNIQLO*. (2009). Retrieved from Porter Prize: <https://www.porterprize.org/english/pastwinner/2009/12/03114807.html>

production costs, namely by choosing raw materials and cheap labor, can effectively maintain company profits.

In addition, production activities carried out in Japan have expensive production costs, so UNIQLO expands to Asia. Companies in Asia are independent companies that work with UNIQLO and are specialized companies that make certain parts of UNIQLO products. UNIQLO has around 148 partner factories, and around 70% of UNIQLO products are made in China. As their global sales network continues to grow, UNIQLO is working to actively expand production in other Asian countries to reduce dependence on China and reduce costs. The aim is to position one third of production outside of China. In Bangladesh, UNIQLO works with about 20 factories. In addition to Bangladesh and China UNIQLO set up factories in Vietnam, Cambodia, Indonesia, Thailand, the Philippines, Singapore, Sri Lanka and India.⁴² Because all of these factories are contractor-based, UNIQLO sends its own employees to monitor and provide guidance to these factories regarding quality, safety, design correctness, and production volume.

G. UNIQLO in China

Since the open-door policy in 1979, the central Chinese government has a strong will to make the textile and garment industry the main anchor of the country's economy. Driven by business-friendly policies and supportive foreign investment, the volume of exports of textile and garment products is increasing rapidly.⁴³ The Chinese clothing industry is still the largest export in the global clothing economy and has greatly affected the lives of millions of workers in this industry.

Lower labor costs elsewhere have indeed pulled foreign investment away from China, but China's garment industry still has competitiveness. Not only with thirty years of operating experience, China has also developed logistics and

⁴² Teresa, S. S. *Op.Cit.*

⁴³ Chan, A. (2015). *Investigative Report on the Working Conditions in UNIQLO's China Suppliers*. Hong Kong: SACOM.

transportation infrastructure that is better connected than other Asian countries. Quality control & management and technical progress on production are ahead of other neighbors. This makes UNIQLO interested in investing in China.

UNIQLO itself was present in China in 2002. The entry of UNIQLO in China is due to the Foreign Investment Law in China which provides investment security and security related to investment and further market liberalization and facilitates intellectual property protection. This is seen in Article 22 Direct investment in China where the state will protect the intellectual property rights of investors and foreign-funded companies, and protect the legal rights and interests of holders of intellectual property rights and relevant rights holders; in the event of a violation of intellectual property rights, legal liability must be saved in accordance with the law. Before entering China, existing clothing at that time was still in production in Japan. Furthermore, the execution of UNIQLO apparel products is carried out in China. UNIQLO invested in China with an investment of 1.2 billion yen in its subsidiaries and investment of 10.4 billion yen for opening stores.⁴⁴ This large amount of investment is of course very significant to meet the needs of the Chinese state's income from foreign investment, the large investment and a significant export value are certainly beneficial for the country of China because it generates not small income.

UNIQLO entered the mainland market in 2002. Until August 2017, there were 555 stores in China, including in Beijing, Guangzhou, Chongqing, Chengdu, Nanjing, Ningbo, Shanghai, Shenzhen, Shijia, Tianjin, and Xi'an.⁴⁵ With the large number of stores conducted by UNIQLO, it is not surprising that in 2018 UNIQLO already has 21,300 workers throughout China.⁴⁶ By spending so much investment in China, of course

⁴⁴ Fast Retailing. (2002). *2002 Annual Report UNIQLO*. Tokyo: Fast retailing.

⁴⁵ Fast Retailing. Co,Ltd. (n.d.). *China*. Retrieved from Fast Retailing: www.fastretailing.com

⁴⁶ Sustainability Report. Fast Retailing. 2018

UNIQLO earned 502.5 billion yen in revenue and earned an operating profit of 89.0 billion yen.⁴⁷ Shop sales conducted by UNIQLO in China will continue to increase with local support, until UNIQLO registers itself as company no. 1 in China.

Out of many UNIQLO partner factories around the world, 70% of UNIQLO production is carried out in China. UNIQLO collaborates with its partner factories in China with 155 partner factories, 127 of which are core sewing factories, while 28 of them are core mills.⁴⁸ From the large number of factories owned by UNIQLO, there are several factories known to the public because of problems with its workforce such as Pacific (panyu) textile Ltd. located in Guangzhou City, Jintan Chenfeng Clothing Co. Ltd. located in Jintan, and Dongguan Tomwell garment Ltd which is the subsidiary company of Dongguan Luen Thai Garment Co Ltd (hereinafter Tomwell) and Donggguan Crystal Knitting & garment Company Limited, both located in Dongguan city.

⁴⁷ Fast Retailing. Co,Ltd. (2019, October 10). *Results Summary*. Retrieved from Fast Retailing: <https://www.fastretailing.com/eng/ir/financial/summary.html>

⁴⁸ FAST RETAILING CO., LTD. (2019, May 17). *Partner Factory List*. Retrieved from Fast Retailing : <https://www.fastretailing.com/eng/sustainability/labor/list.html>