

# Study on Supply Chain Management of UNIQLO

## ——Based on Quick Response

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**Abstract.** With the improvement of living standards, "fast fashion" has become the consumer demand for new clothing. Clothing varieties and new styles both require apparel enterprises to respond quickly to market demand. However, apparel industry supply chain in China's enterprises are facing a slow response issue. Since 2002, many international fast fashion brand began to enter the Chinese clothing market, these fast fashion clothing brand take a unique marketing strategy, bring a different experience to our customers, it makes our clothing brand in a disadvantage position. As an excellent fast fashion clothing brand, UNIQLO shop is the largest number of fast fashion brand in China, it makes huge development in China, achieved considerable economic benefits, and it depends on the unique marketing strategy. Therefore, this paper will take UNIQLO as an example to analyze its quick response strategy so as to build the suitable enterprise's marketing strategies to avoid blindly follow the fast fashion brand marketing strategy.

### Introduction

The globalization of world economy has prompted the competition of production, design, etc., and gradually upgrade to the competition of enterprise supply chain. Clothing industry is a traditional industry with short cycle, variety of demand and other features. The diversification of customer demand, the speed of market reaction ability and the accuracy of market demand forecast all make the clothing enterprises face the problem of supply and demand uncertainty and high inventory. The rapid change in modern clothing industry has already caused order time reduction, more and more product varieties and excess inventory, which have brought great pressure to the supply chain management of the clothing industry in our country. Because of economic growth and the improvement of people's living standard, customer demand becomes very diversified and personalized, and market demand becomes more complex and difficult to predict. In 2014, China's 87 garments textile enterprises have reached an inventory of 73.2 billion, of which there holds a percent of 83% to be small and medium-sized clothing enterprises. Due to lack of sales channels caused by excess inventories and sharp decline of orders, the situation is very serious for them. How to establish a high-efficient supply chain of customer demand and avoid risk and improve the inventory problem become very realistic.

### Factors of Quick Response(QR)

Quick Response (QR) is refers to a supply chain management method by using POS (point of sale), EDI (Electronic Data Interchange) and other information technology to exchange information when replenishing or make continuous replenishment for certain products with small number of multi frequency, in order to achieve a common goal such as shortening the delivery cycle, reducing inventory, improving customer service level and competitiveness of enterprises.

**Types of Supply Chain.** According to different classification standards, supply chain can be divided into different types. In accordance with different types of products and customer requirements, supply chain can be divided into the following four types such as functional supply chain, innovative supply chain, push-type supply chain and pull-type supply chain. The life cycle of innovative product is short, when faced with uncertain market demand, it is necessary for

enterprises to respond quickly for changing market needs. Pull-type supply chain is driven by customer demands. Therefore, innovative products together with a drive from customer demands is the most suitable for the use of quick response strategy to achieve rapid response to customer demands.

**Partnerships among Enterprises.** The partnership between each member in the supply chain, the supplier relationship for short, is the relationship between the supplier and the manufacturer, or the seller's and the buyer. The supplier relationship is a strategic partnership, that is to share risk and pursue common interests in a specific period of time between suppliers and manufactures. Then the information sharing and unified decision-making of each member of the supply chain has greatly improved the quick response capacity of the supply chain.

**Sharing of Information.** The supply chain is a chain that is made up of downstream enterprises, and if the information can not be transmitted in time to the downstream enterprises, the rapid response ability of the whole supply chain system will be greatly weakened, which causes a lack of flexibility of the supply chain. Each member in the supply chain makes adjustments to the changes in the internal and external environment, and the speed of market demand determines the flexibility of the supply chain. Therefore, the level of information sharing is one of the important factors that affect quick response.

### Models of UNIQLO's Supply Chain

The founder of UNIQLO with the name of Tadashi Yanai established SPA (Specialty Store Retailer of Private Label Apparel) model, namely its own brand of clothing specialty store retail model, which is to develop and manufacture all its products by its own brand enterprises with unified operation and unified distribution. Traditional management model has so many intermediary agents, while SPA model truly connect direct sales with production to sales of the entire process to take full control of one hundred percent so as to save costs, as well as makes the operation efficiency of the supply chain.

**SPA Model. (Specialty Retailer of Private Label Apparel)** UNIQLO applies advanced SPA (Specialty retailer of private label Apparel) model, namely its own brand of clothing specialty store retail. This model directly connect production and sales, thus customer and producer are directly connected by cancelling the intermediate links, not only can respond to customer needs in a timely manner, but also can make the products with the fastest speed to reach to consumers. UNIQLO SPA model is consist of clothing materials procurement, product planning, development and manufacturing, distribution and retail inventory management throughout the garment manufacturing process. This model breaks traditional model of separation of planning, production and sales while makes the planning, production and sales together as a whole part. By cancelling the traditional model of middlemen and other links, this model greatly reduce the cost of circulation and the production and sale. Besides, it makes each store sales information can be timely delivered to the factory, and the factory could quickly make production adjustment according to the sales information. SPA model has shortened the average inventory turnover days to eighty days, which builds it a leading position in clothing industry.

**TCM System. (Total Chain Management)** UNIQLO TCM system is developed on the basis of traditional supply chain management(SCM). Compared with SCM, TCM system has improved overall ability of commodity management through the focus on store sales data, market information collection and analysis, and basically realizes the centralized management and information sharing. The management team from marketing and sales planning department, store managers participant in weekly management meetings. They will analyze all store sales data provided by POS system, make market demand forecasting and determine the production capacity and inventory. The stores only need to determine their required order according to their specific circumstances, and enter the delivery date and time, the order information is sent to the headquarter. And then headquarter will arrange shipping instructions and the logistics center will arrange delivery. Every week, the headquarter will track all stores' inventory, if a shop needs an additional order, the headquarter will promptly transfer the related sales information to the factory, and confirm the color size and other

information of reorder product. After that, the factory make adjustments quickly with received information and the shop will receive additional orders within ten days.

### Advantages of UNIQLO's Supply Chain

**Source Control of Supply Chain.** The application of SPA model could cancel a series of links among agents, connect directly from the production to sales, to achieve the production of raw materials from the development, distribution, sales to the whole control. The whole process of the supply chain management is composed of five parts as material planning, product planning, sales planning, production planning and sales process. Each part contains many specific links, and the design of each specific link is very detailed and delicate. Take product design process as an example, it has six aspects as: data analysis, trend analysis, sales plan development, material planning, product development plan and design. The source control of UNIQLO's supply chain attaches great importance to the development and quality of the material. The material decision is not decided by a single person but by group members composed of designers, product planning staff, people in material and product development. After a discussion, the president makes final decision to ensure the quality of materials. In addition, UNIQLO establishes a long-term strategic cooperative partnership to ensures the source of raw materials. Therefore, when market demand changes, the raw materials can be supplied in a timely manner, which also avoids the risks brought about by changes in the market.

**Win-Win Model.** There are two kinds of UNIQLO's model of production, which is produced by its own factory, the other is the production outsourcing. Through the way of outsourcing production, UNIQLO has reduced production cost and improved efficiency. At the same time, it will face the problem of how to choose manufacturers. To effectively solve this problem, it sets a strict screening criteria to choose almost 70 manufacturers in more than 100 manufacturers. UNIQLO also establishes production management firm to strictly control product quality and production. Besides, craftsman system is also applied in UNIQLO. The craftsman system refers to technical guidance of craftsman group sent by headquarter. Artisan group is composed of thirty technical staff with decades of production experience, each person is responsible for the guidance of five to ten outsourcing companies. These experienced craftsmen provide technical guidance in the outsourcing garment factory for a long-term, so that products from other manufacturers and its own factory do not differ in terms of quality.

**Healthy Operation Based on Information Analysis.** The core competitiveness of UNIQLO is its quick response supply chain, while its powerful information analysis ability is the key of supply chain quick response. Unlike the traditional operating mechanisms, UNIQLO's store operation is directly controlled by the headquarter. Through the information system, headquarter keeps track of each shop inventory management every day, thus all sales data of each store can be collected to form a huge database of information integration in the company, with which, the corporation could make sales forecast and inventory management on the basis of the analysis of the data.

### Inspirations to China's Clothing Industry

**Establish Information System of QR.** Fast response ability of the supply chain information system plays a key role in the enterprise. Enterprises could improve supply chain information sharing level through information technology, and promote collaborative operation among members to improve the operation efficiency of the supply chain. Without information system support, UNIQLO stores sales data collection and analysis speed will be greatly slowed down, and can not accurately make quick response to the market changes. Compared with SPA model and TCM system of UNIQLO, many apparel enterprises at present generally do not pay attention to the construction of information systems and information technology which caused low level of meeting customer needs and lack of supply chain flexibility. If clothing enterprises try to establish a quick response supply chain like UNIQLO, they have to build a perfect information system combined with their own business and to improve the supply chain information sharing level, so as to shorten

the lead time, improve the overall supply chain competitiveness, such as the application of POS system, speed improvement of sales data, market information collection and analysis and centralized management and information sharing. For most enterprises, it is necessary to adjust and improve the industrial chain that conforms to its own situation, and further improve the operation efficiency and economic benefits of the enterprise.

**Improve Inventory Management Level.** UNIQLO has abandoned the traditional inventory management model through weekly TCM business meeting. It is in this meeting that the management group will analyze the sales data, make market demand forecasting, and determine the production capacity and inventory. Based on this information systems, UNIQLO could tracking unit inventory products daily and determine the activities of products like additional order, discount sales or inventory liquidation. Effective inventory management can make UNIQLO solve problems in enterprises to meet the market demand and reduce inventory costs to better respond to changes in the market. Good inventory management can reduce the inventory cost and improve the operation efficiency of the supply chain inventory management. Due to poor management, most clothing enterprises have to face the issue of excess inventory together with increasing inventory cost and greatly reduced ability of the supply chain. For clothing enterprises, they should learn from UNIQLO for the entire supply chain management system, promote cooperation among upstream and downstream enterprises in the supply chain to improve the level of inventory management and the level of information sharing. Therefore, clothing enterprises have to pay attention to the effectiveness of information in the process of information transfer and timeliness in the process of establishing marketing channel. At the same time, they also need to take care of how to avoid the high inventory risk of bullwhip effect, carry out planned promotions in the sales terminal.

**Enhance the Management of Suppliers.** Supplier management is a very important link in supply chain management. The partnership with suppliers is beneficial for enterprises to improve the overall response ability of the supply chain and to reduce the cost of making. UNIQLO formulated strict selection criteria for the selection and assessment of suppliers on the aspects of the supplier's production level screening standard and the consistency with its own goals. UNIQLO's TCM model is a typical example. In this system, the corporation established production management firm to strictly control production and quality. In addition, it also sent a group of craftsmen to manufacturer factory to guide their production in long-run with carefully selected suppliers, which has already formed the Win-Win model. This has not only reduced the production cost, but also achieved the effective control of the production and quality. With a comparison of UNIQLO supplier management, there are many problems in other garment enterprises, such as no explicit screening criteria for supplier selection and lack of cooperation consciousness. In order to establish a quick response supply chain, enterprises ought to make full use of the supplier management method of UNIQLO such as establishing scientific evaluation standard, selecting the best strategic partner and establishing supplier quality assessment.

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