

## Uniqlo's Key to Success - Online and Offline

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### Abstract

The sudden COVID-19 epidemic has brought many losses and crises to all walks of life. For the fashion industry and the apparel industry, there's been bad news from well-known brands like Zara closing thousands of stores, Muji (US branch), J.Crew, Brooks Brothers going bankrupt, Forever 21, Topshop, and more.... And Uniqlo, apart from a drop in revenue, is almost too serious. Among the many clothing brands that have suffered, Uniqlo has performed remarkably well during the epidemic, thanks largely to its unique business model. This paper will introduce the sales process and business model of Uniqlo after the integration of online and offline. The successful experience of the online-offline integration of Uniqlo is summarized to provide reference for the development of China's clothing brands in the post-epidemic era in the new retail environment, and to improve the risk resistance of the clothing industry.

### Keywords

New retail; Online and offline; Uniqlo.

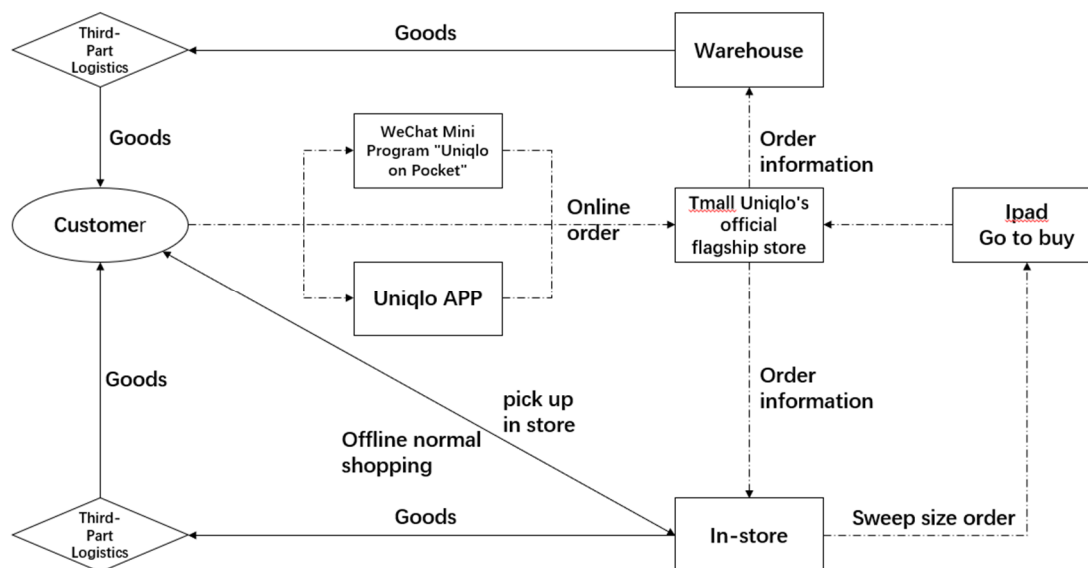
## 1. INTRODUCTION

As we all know, the cold winter of consumption brought by COVID-19 will severely damage the revenue and net profit of major brands in 2020, and the global apparel industry will be hit hard. Although the COVID-19 outbreak caused Uniqlo to lose sales in its offline stores, resulting in a sharp decline in its performance, Uniqlo has also seized the opportunity to make a quick recovery in revenue. After the COVID-19 epidemic basically subsided in China, Uniqlo not only quickly resumed the operation of stores in China, but also opened a large number of new stores, and the number of stores in China (directly operated) surpassed that in Japan for the first time. While Uniqlo is "happy", Zara has been "losing ground" in China. Inditex, the parent company of Zara, has confirmed that it will close all of its Bershka, Pull&Bear and Stradivarius stores in China, according to JiemianStyle, and expects to complete the work on all stores in China by mid-2021. Therefore, ZARA's INDITEX group shares down nearly 27% this year, the market value of nearly 27 billion euros (us \$213.794 billion), in contrast, fast retailing group, because the Chinese market quickly recover to boost shares surged to a record high since listing, according to "Japanese economic news" report, February 16, local time, management of uniqlo Japan's fast retailing group, the total value of 10.8725 trillions of yen (calculated on closing price), more than ZARA INDITEX group parent company Spain, become the clothing industry for the first time the top of the global total, It has become the first market capitalization in the global apparel industry. Fast Retailing's success can be attributed to Uniqlo's strong performance in China. In such a market environment, how does Uniqlo stand out and survive in such an environment? This paper will take the new retail as the entry point and further study the online-offline integration strategy of Uniqlo by analyzing its online-offline sales process and integration mode.

## 2. ONLINE AND OFFLINE SALES PROCESS AND INTEGRATION MODEL OF UNIQLO

### 2.1. Online and offline Sales Process of Uniqlo

The following figure is constructed by sorting and analyzing the online and offline sales process of Uniqlo:



**Figure 1.** Online and offline sales flow chart of Uniqlo

As shown in the figure above, Uniqlo adopts the online and offline dual-channel marketing model and integrates online and offline resources for integrated operation.

#### (1) Offline-led sales process

There are two types of offline led sales: one is completely offline store sales, and the other is offline led to drive online sales.

① Complete offline store sales. Stores through the exhibition board, single page advertising products to attract customers, customers in store displays and shelves of choose and buy the goods, there need to customers to the fitting room to try it on, and then with the selected items to the checkout counter, the clerk to pay in cash operation, electronic cash, bank CARDS, gift CARDS charge goods, customers take goods, complete the transaction.

② Leading offline sales and promoting online sales. When customers choose clothing stores, not its want to color and size, the salesperson should help customers online query, when goods online with customer needs, customers can use pay treasure or cell phone taobao scan store clerk hands on the qr code, the jump to customer taobao order payment page, customers operating use pay treasure to complete the payment, and then system designated stores after receiving the shipment requirements using third party logistics delivery goods to customers, complete the transaction. Among them, the difference between the in-store order and other online order is that customers are not required to order 200 to free shipping.

#### (2) Online-led sales process

Customers place orders via WeChat payment from the entrance bar of Uniqlo WeChat store, Uniqlo mobile APP and Uniqlo handheld flagship store, or online via Alipay payment from Uniqlo official flagship store on Tmall. Order customers choose according to individual demand distribution way, entry order is for a store to make the order, so only the lift and the rushed to

store two distribution modes, ways there are to place the order with other stores since and express delivery in two ways, all choose express delivery order last flow Tmall flagship store, then allocated to each purchase is made, its distribution based on the principles of nearby. For the order of store express delivery or express delivery, the designated store shall use the third party logistics to express the goods to the customer after receiving the delivery requirements to complete the transaction, in which the store express delivery requires that the goods must be delivered to the customer within 24 hours. Select stores to the order and specify stores receiving order the goods after receipt of order, customer payment after success in order to succeed within eight days from the next day, on the strength of the received "ready for the complete" mobile phone short message or to the verification code to the order of the selected from the stores, with the help of the clerk to pick up the goods, complete the transaction, if more than eight days are not to take goods, order cancelled automatically, the amount the way back.

## 2.2. Uniqlo Online and Offline Integration Model

### (1) Operation mode

Before and after online integration, Uniqlo adopts the SPA model, which is very suitable for retailers with their own brands, integrating all resources in the supply chain for vertical sales. In this mode, Uniqlo is both a supplier, a manufacturer and a distributor. Under this distributor, there are two retail channels, online and offline, which can be specifically included in the internal department of Uniqlo, the Digital New Retail Department and the Store Operation Department.

#### ① Key resources

In terms of goods, online and offline sharing in the library. By setting available stock ratio and safety stock number, only part of the store's actual stock number is synchronized to online sales in real time to avoid overselling. "Available Inventory Ratio" can set the amount of inventory the store wants to put online for sale by percentage. For example, if the actual inventory is 10 and the available inventory ratio is set to 60%, the actual online available inventory is 6. "Number of safety stock" can be used to set the number of inventory that the store does not want to put online for sale by absolute value. For example, if the actual number of inventory is 10 and the number of safety stock is set to 2, the actual number of online available stock is 8. Online available inventory is updated in real time (every 15 minutes).

In terms of capital, the online sales cost and labor cost are independently borne by the online department, while the delivery cost incurred in the delivery of goods is borne by the shipping store. The rent, utilities, advertising, logistics, profit and loss of offline stores shall be borne by the stores themselves.

#### ② Process design

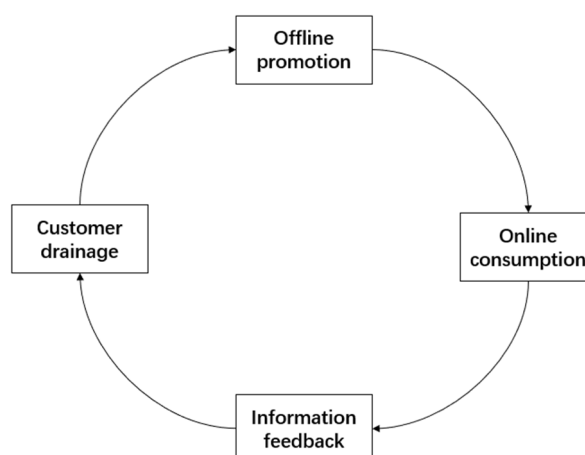


Figure 2. O2O closed-loop system

A. Offline promotion: uniqlo stores staff need to recommend customers registered members for the evaluation, encourage and guide the members customer online purchase, in addition to this store will have some coupon POP up in stores or checkout, such coupons are online orders to use, the purpose is to attract customers attention, thus promote online trading.

B. Online consumption: Customers can consume online through Uniqlo's flagship store, Tmall flagship store, store code scanning and other ways.

C. Information feedback: Uniqlo grasps customers' real experience of on-site consumption through store evaluation in the online member evaluation system, and improves store services; Help Uniqlo understand customers' real feelings about commercial products through commodity evaluation and premium product experience, and improve data reference for product price changes and system improvement; Analyze the receiving address of online customers, conduct regional sales volume, customer activity, regional distribution, single consumption amount, sales frequency, types of purchased products and other data, and make more accurate and effective store location.

D. Customer drainage: uniqlo USES the way to the store, customers can order through online channels, choose the way to the store to get goods, the customer to choose offline stores, show me your mobile phone short message received delivery code, the clerk can make goods after checking, complete the transaction activities, at the same time, customers can also be for other consumer goods. This can not only save time for customers, but also effectively transport online customer flow for stores, increase the number of customers entering the store, and improve the store's turnover in the warehouse. In February 2021, uniqlo at uniqlo's APP and WeChat small program "palm uniqlo" launched StyleHint digital services, consumer can through the real-time picture or photo identification, to get images of uniqlo apparel shopping link, in addition, consumers also refer to blogger wear platform build, the individual also can share your photos to the platform, to further strengthen the offline drainage to online customers.

### ③ Customer relations and partners

Uniqlo's customer relations include product online display, promotion promotion, enterprise microblog, monthly and irregular weekly store discount activities, newsletters, etc. Important partners include e-commerce partners, fabric suppliers, clothing production enterprises, online media, logistics companies, clothing designers, well-known brands in other fields, etc.

### (2) Profit model

#### ① Revenue and Cost

Uniqlo's income mainly depends on the sale of all kinds of clothing and accessories; Costs include the cost of product design and research and development, marketing cost, storage and delivery cost, online website maintenance cost, offline store rental cost, etc.

#### ② Profit distribution

Uniqlo divides its employees into members, who get a share of the store's performance, and shop assistants.

Daily sales of offline stores are included in the turnover according to the amount, while delivery of online orders in offline stores is included in the turnover according to the actual income. Store self-pickup and store rush delivery shall be included in the turnover of the store according to the actual income. The sales of online orders are still included in the turnover of online platforms according to the actual amount. Dividends are distributed to members based on Uniqlo's key payroll metrics.

### 3. UNIQLO'S ONLINE AND OFFLINE INTEGRATION STRATEGY

#### 3.1. Integration of Online and Offline Marketing Mix Strategies

(1) The online and offline prices are consistent

Uniqlo chooses online and offline price synchronization when integrating online and offline.

First of all, Uniqlo always adheres to the strategy of providing customers with a large number of high-quality products at low prices in the market, so even if the online price is the same as the offline price, it still has a strong competitiveness in the industry. The same price strategy not only further deepens Uniqlo's market positioning, but also gives play to the low cost advantage of SPA mode.

Secondly, the same price strategy can weaken the channel conflict between online and offline of Uniqlo. For consumers, offline stores are no longer pure experience stores, so as to avoid the situation that customers only try but not buy under the strategy of price difference.

(2) Consistency between online and offline products

Uniqlo does not distinguish between online and offline products, and all online products are unified with offline products. However, some online goods are not available in offline stores. In order to control the cost and give full play to the store space, Uniqlo will uniformly transfer some reduced price goods to several stores with large inventory of such goods. When Uniqlo integrates online and offline, stores are regarded as the core part of sales. Even in the state of stock sharing, the inventory of online goods is limited, so there will be a situation that the online page shows no stock, but the physical store has stock.

As a result, Uniqlo can pre-sell goods online, and then estimate the possible sales volume of each offline store according to consumers' location, consumption preference, purchase intention, purchase mix and other information, so as to better carry out offline store goods and promotion, which is conducive to the product management of the store. According to the location information and purchase points of online consumers, it can also help analyze the site selection of offline stores to help make offline decisions.

(3) Combination of online and offline promotion

① Fixed promotion. Uniqlo launches monthly promotions by product segment to attract customers' attention to Uniqlo every week.

② Interval promotion. Uniqlo's online and offline product promotion is timed: priority new product offline stores will be put on the online platform for a period of time; In order to ensure the continuity of the promotion activities and attract offline stores, Uniqlo conducts interval promotion based on the difference of product and time. The promotion based on product is inconsistent between online and offline preferential products, which are the same series but may not be the same type. Time-based promotion is to stagger the online and offline promotion time. If customers miss the online promotional activities, they can also participate in the following offline store promotional activities. Uniqlo's products are mostly divided into series according to the fabric, and the way of interval promotion can avoid the damage to the brand image caused by the discount of all products at the same time.

#### 3.2. Integration of Online and Offline Service Functions

(1) Pull up effect of online services on offline services

① Information display. At uniqlo WeChat public page there is a match as optional toolbar, according to the style of love and sex, customers can enter the page of wear on grass, you can see uniqlo dress collocation, the trend of wear take pictures at the same time with the match each item in the purchase options, can also see nearby stores stock of this commodity information.

② Marketing interaction. By accessing online channels, Uniqlo not only uses online platforms to sell products, but also wants to enhance the recognition of Uniqlo's brand and products through the huge amount of Internet views. Uniqlo once on a blog, for instance, launched a UNIQLOCK clock, this clock for uniqlo main commodities with the beauty, music, dancing, factors, catch the eyes of customers also aroused the customer's purchase desire, and four years later, uniqlo this clock made into mobile phone software to promote online, many Internet users to download, range is very wide.

③ Sales of special sizes. Extra large and extra small aren't for most people, so Uniqlo is distributing special sizes to a handful of stores and selling them online, in an effort to relieve inventory pressure on its offline stores.

④ Offline drainage. With the help of popular platforms on the Internet, Uniqlo carries out new media marketing to promote products and improve brand awareness. At the same time, it attracts online users to turn their attention to offline physical stores, so as to bring offline traffic and increase sales.

#### (2) Offline services support online services

① Assumed the role of "warehouse". The role of "warehouse" in offline stores has been specifically analyzed above.

② After-sales service. Uniqlo's offline stores offer a mending service for clothes purchased through any official channel; Secondly, the return and exchange service of online orders of self-pick-up and immediate delivery of stores is also undertaken by the designated stores.

③ For online drainage. Offline stores also divert online. Store employees actively recommend customers to pay attention to the public of Uniqlo and members of Uniqlo with the gimmick of promotion or discount. They even broadcast in offline stores to tell consumers that if they scan the QR code, they can get coupons for their flagship stores or store self-promotion. Of course, Uniqlo has done extensive training for its in-store staff to achieve this effect.

## 4. CONCLUSION

The new retail concept has been put forward for a relatively short time, and there are few researches on it, most of which are on the macro level. There has not been an in-depth study on the practical application of enterprises. This paper selected Uniqlo as the research object, and drew the following conclusions through the analysis and study of Uniqlo's online-offline integration strategy:

First, the leading role of offline stores can still radiate new vitality under the new retail environment. Different from the traditional concept of online and offline integration, Uniqlo still adheres to store as the core. From the perspective of its promotional strategy and the distribution of responsibilities and functions between online and offline, Uniqlo's offline stores not only sell normally, but also play other roles such as experience, storage, and diversion.

Second, the effective integration of online and offline can enable enterprises to have stronger competitiveness. It can be seen from the verification model that the sales volume of Uniqlo after the integration of online and offline is higher than that before the integration, and the overall profit also increases.

"Getting through online and offline shopping" is the key magic weapon for Uniqlo to maintain rapid development in the new retail market environment. Although Uniqlo's marketing strategy of online and offline integration can be used for reference by other clothing enterprises, its unique operation mode is difficult to imitate in a short time.

Since time is limited, in this paper, the online and offline in uniqlo and fusion strategy research is not enough thoroughly, but I believe, with the continuous development of the



practice of enterprise online fusion and relevant scholars both at home and abroad for online fusion studies have advanced, will be able to create a fresh new retail environment.

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