



LEVEL 7 ASSESSMENT SPECIFICATION

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Academic honesty / referencing:	Academic honesty is required. In the main body of your submission you must give credit to authors on whose research and ideas your work is based. Append to your submission a reference list that indicates the books, articles, etc. that you have used, cited or quoted in order to complete this assessment.		

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1. Using Fast Retailing as an example, assess the relationship between “Strategic Direction” and the “Vision, Mission, and Values (VMV) of a company.

In the sections below, we will first describe the definition of VMV, followed by the linkage between VMV and strategic direction. The Fast Retailing group “FR” is one of the largest enterprises from Hong Kong’s apparel industry, and we will use it as an example. The apparel industry is board, so we will classify the brands owned by FR as fast-fashion, which they are produced rapidly to the mass markets according to the fashion trends; their clothing items included essential wears, sportswear, and smart-casual fashion.

1.1 Definition of Vision, Mission, and Values (VMV)

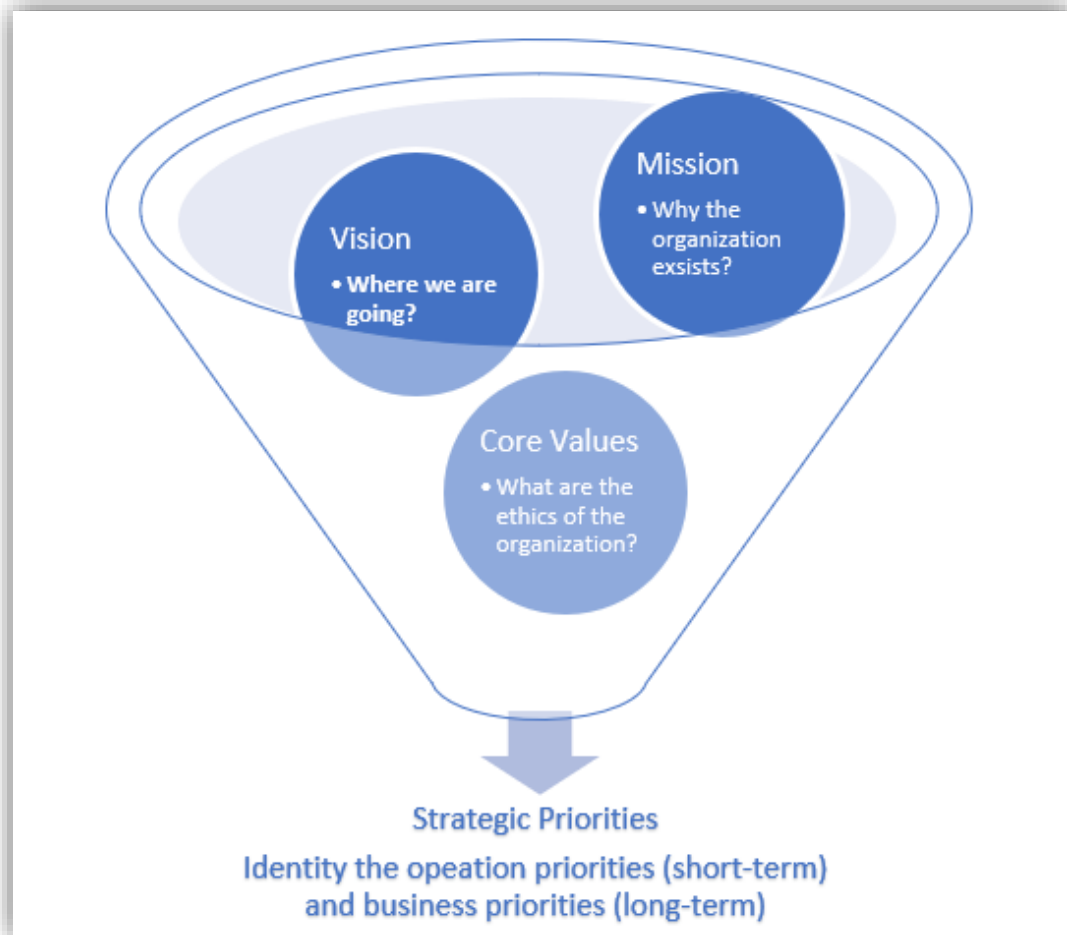
VMV is a fundamental tool for an organization to connect with its employees, typically presented in a written format. VMV are statements from companies to explain who they are, why they exist, their ethics, and where they wish to position in the future (Carpenter and Bauer and Erdogan, 2010).

Once a high-level VMV is organized, the firm shall put the VMV together into a funnel for its strategic direction; those are operation priorities for all stakeholders to focus on its short-term and high impact performance improvement; moreover, to driving towards the long-term differentiating vision as its strategic priorities (Figure 1-1).

A company will perform better with a logical and sensible VMV; that help all stakeholders to strive and to align with each other by bringing behavioral changes to achieve its company’s vision, where all initiatives and formulation of strategies are

according to the mission statements and core values (Bart and Bontis and Taggar, 2001).

Figure 1-1: Relation between VMV and Strategic Direction



Source: Constructed by author

1.1.1 Mission - Why the organization exists

A mission statement describes why a company exists. Customers' buying decision is not because of "what" the product is about, but they are concentrating on "why" and "how" a product is beneficial (Sinek, 2009). Thus, a thriving enterprise always create their mission statement by explaining why people should purchase a product from them, and why their end-product benefits to their customers? Most importantly, potential

customers must appreciate why that company exists and what the company offer can benefit them (McNeely, 2017, pp. 43-45).

A mission statement is the company's identity and the theoretical framework that help define the working process and engaging its associates to boost their productivity (Desmidt and Prinzie, 2009). Thus, a mission statement works as a guideline and boundary for strategy formulation, which marks the differentiation from other rivals.

1.1.2 Vision - Where is the organization going

Vision is crucial for an enterprise to lead its stakeholders from the corporate, division, functional, and operation levels to reach its expectations. Well-formed visions are distinctive and specific to a particular organization.

Vision is not about where the firm is standing currently; instead, it is a direction that guides the business to its potential position through planning and executing business strategies (Madu, 2013, p. 2). Hence, a clear vision works as an achievement milestone that build commitment and motivation to the employees.

1.1.3 Values - What are the ethics of the organization

Organizational values are the principles and ethics that the company believes in; values reflect how an organization will perform on a day to day operation as its employees' behavioral norms.

The company's culture assembles the core values, and they are unique to each organization. With the core values, employees will eventually be achieving the company's mission and vision by executing the business strategies.

1.2 How VMV impact to business strategies

FR's missions are a bridge to connect with the company's vision (Figure 1-2).

Figure 1-2: FR's Company Vision and Group Mission



Source: (Fast Retailing, 2018a, p. 17)

The vision of FR is bold and board, which indeed leads to its success, being one of the top five largest clothing retailers in the world in FYE-2019 (Figure 1-3).

Figure 1-3: Industry Ranking

Company Name (Flagship Brand)	Country and Region	End of Fiscal Year	Sales (Trillion of yen)	Sales (Billions of dollar)	Change (%) (local base)
INDITEX (ZARA)	Spain	Jan. 2020	3.40	31.10	+8.2
Hennes & Mauritz	Sweden	Nov. 2019	2.63	24.07	+10.6
FAST RETAILING(UNIQLO)	Japan	Aug. 2019	2.29	20.93	+7.5
Gap	USA	Feb. 2020	1.79	16.38	-1.2
Limited Brands	USA	Feb. 2020	1.41	12.91	-2.4
PVH (Calvin Klein, Tommy Hilfiger)	USA	Feb. 2020	1.08	9.91	+2.6
Ralph Lauren	USA	Mar. 2019	0.69	6.31	+2.1
NEXT	UK	Jan. 2020	0.60	5.50	+2.4
AMERICAN EAGLE OUTFITTERS	USA	Feb. 2020	0.47	4.31	+6.8
Abercrombie & Fitch	USA	Feb. 2020	0.40	3.62	+0.9
Esprit	Hong Kong	Jun. 2019	0.18	1.66	-16.3

Source: (Fast Retailing, 2020a)

FR has a high-level perspective vision where the company aims to change the world, that is fulfilled and interconnected with the group missions to enhance customers' experiences and elevate their lives. UNIQLO, one of FR's subsidiaries, mission is "Unlocking the Power of Clothing", it is a blueprint for the company to set a high-level strategic direction to achieve the group's vision.

Therefore, VMV influences the company's business model and strategy formulation from corporate and business levels.

1.2.1 In terms of corporate level

A lucrative business model builds more values to its stakeholders by switching to a new operating process corresponding to its insights (Magretta, 2002, pp. 4-5). While FR has a colossal vision in changing the world, the corporate level adapted the first move by implementing its "LifeWear" concept in UNIQLO. According to Mr. Tadashi Yanai, Chairman, President and CEO of FR, the concept of LifeWear is not only progressing based on the transformation in people's life expectancy, but it also adds values to a green society that he believes everyone in the world will recognize and support to the LifeWear concept (Fast Retailing, 2019a, p. 7).

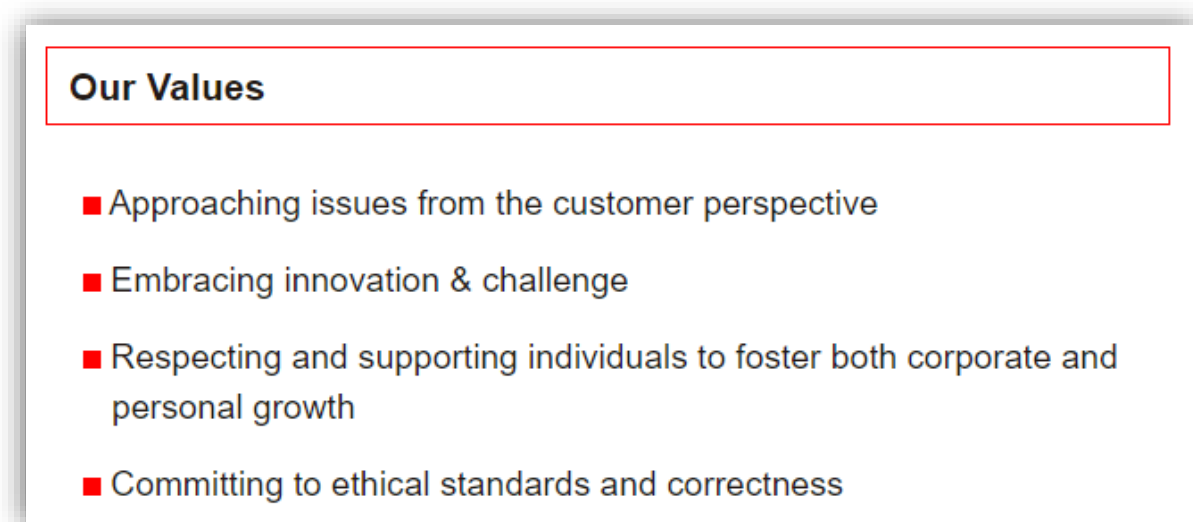
Mr. Tadashi's idea adheres to the company's VMV, the direction from the corporate level is forming its LifeWear concept that would change the world in the long run. Mr. Tadashi's objectives are on a long-term basis; those are transparent, providing guidance, and establishing priorities for the business. These long-term objectives convey its business level to allocate its assets and change the operating processes if deemed necessary. Since the company is expecting to "Unlock the power of clothing", it provides a reference point to its business level in making strategic directions, which

comes to the “Ariake Project” introduced by UNIQLO as a sustainable strategy, a goal to fulfill the part of strategy that move the business to its intended direction.

1.2.2 In terms of business level

Subsequently, business-level shall employ changes subject to the prospects from the corporate level, i.e., the company’s vision, parallel to its mission and core values. In the case of FR, their company’s missions, as shown in Figure 1-2, explained how the firm pursued its competitive strategy, with the attributes that references and carried out from their core values as their foundation (Figure 1-4).

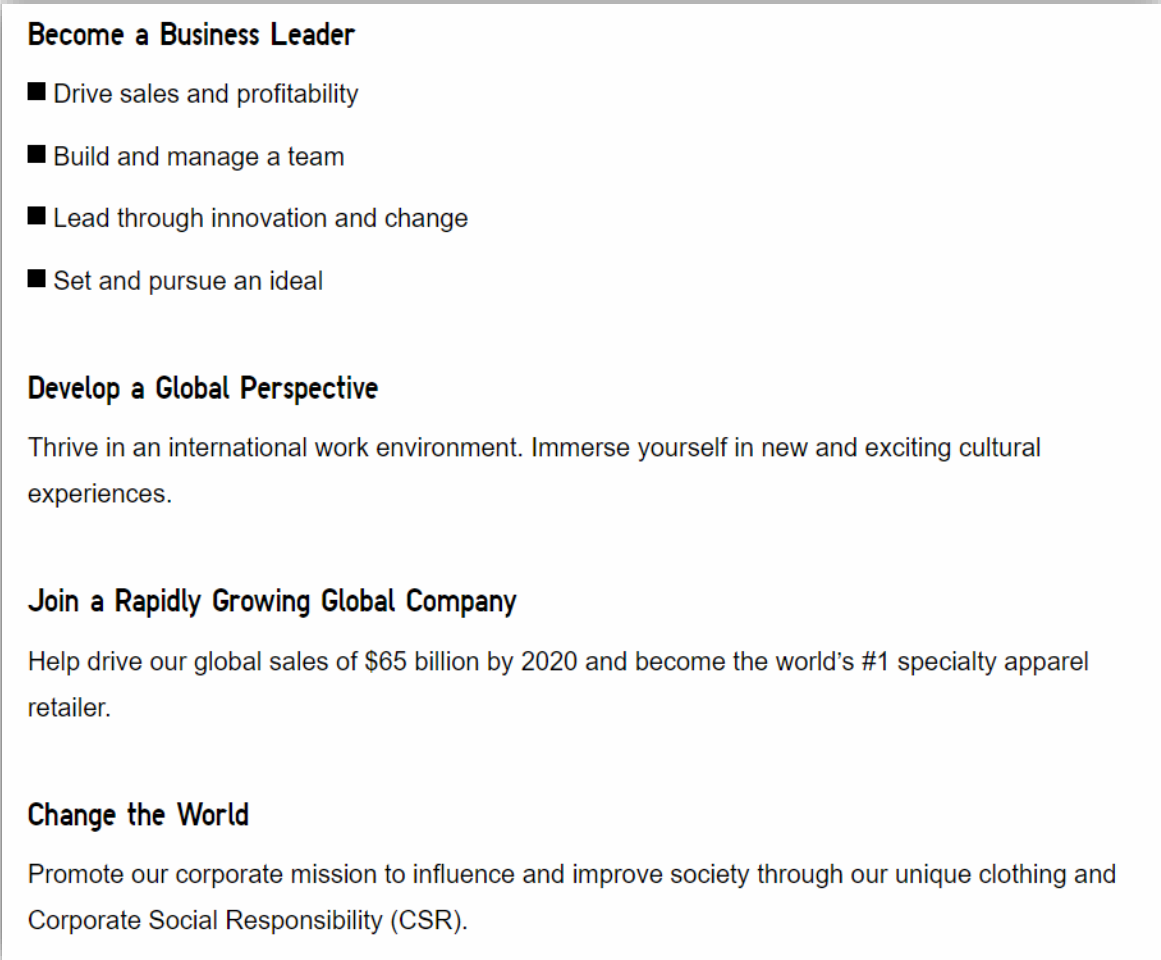
Figure 1-4: FR’s Core Values



Source: (Fast Retailing, 2018b)

UNIQLO’s core values are the root of their culture; they admire innovative, consumer-oriented, focusing on staff development, and devoted to fixing any mistakes. The company’s culture reflects the employees’ behaviors and attitudes, which are also the guidelines when hiring managers looking for new talents, the candidate shall have the characteristics that match the company’s culture (Figure 1-5).

Figure 1-5: Candidate's requirements for being a manager in UNIQLO



Become a Business Leader

- Drive sales and profitability
- Build and manage a team
- Lead through innovation and change
- Set and pursue an ideal

Develop a Global Perspective

Thrive in an international work environment. Immerse yourself in new and exciting cultural experiences.

Join a Rapidly Growing Global Company

Help drive our global sales of \$65 billion by 2020 and become the world's #1 specialty apparel retailer.

Change the World

Promote our corporate mission to influence and improve society through our unique clothing and Corporate Social Responsibility (CSR).

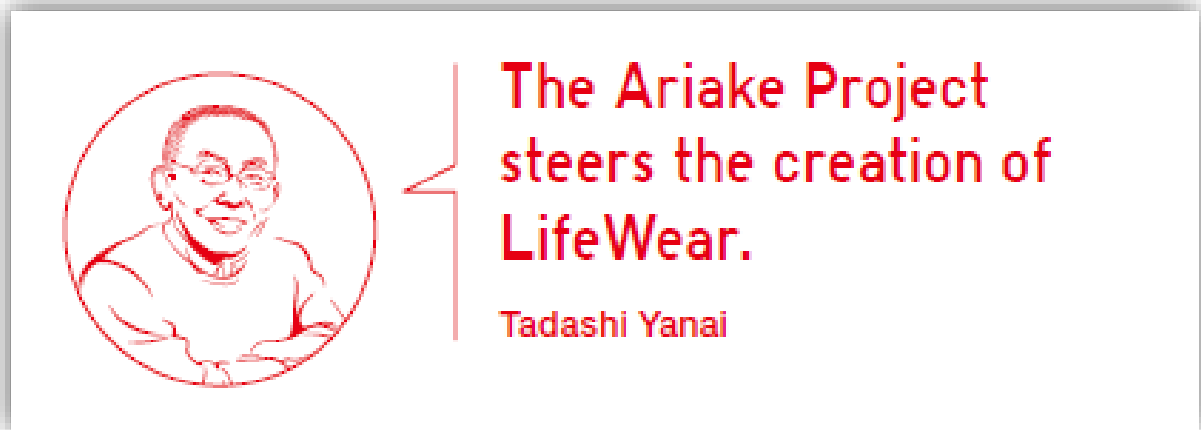
Source: (Fast Retailing, 2020b)

Acknowledging and correcting a firm's mistakes is not easy; Takeshi Okazaki, CFO of FR, admitted for a business strategy mistake that the stock-keepings unit in 2018 was too high, caused a 13.1% drop in its annual operating profit (AASocks Financial News, 2018). A solid company's culture will elevate its performance (Mohammad A. and Mohammed S., 2013).

The "Ariake Project" that UNIQLO kickstarted in 2017 is a business strategy that illustrates the correlation between the group's VMV. The project itself had transformed the stakeholders and the operation to work collectively according to its vision. The project is combining both forward and backward integration in terms of competitive

strategy. A successful enterprise outshines from other competitors if their competitive strategy is exclusive, which other foes cannot replicate (Magretta, 2002, p. 6).

Figure 1-6: “Ariake Project” in the eyes of Tadashi Yanai



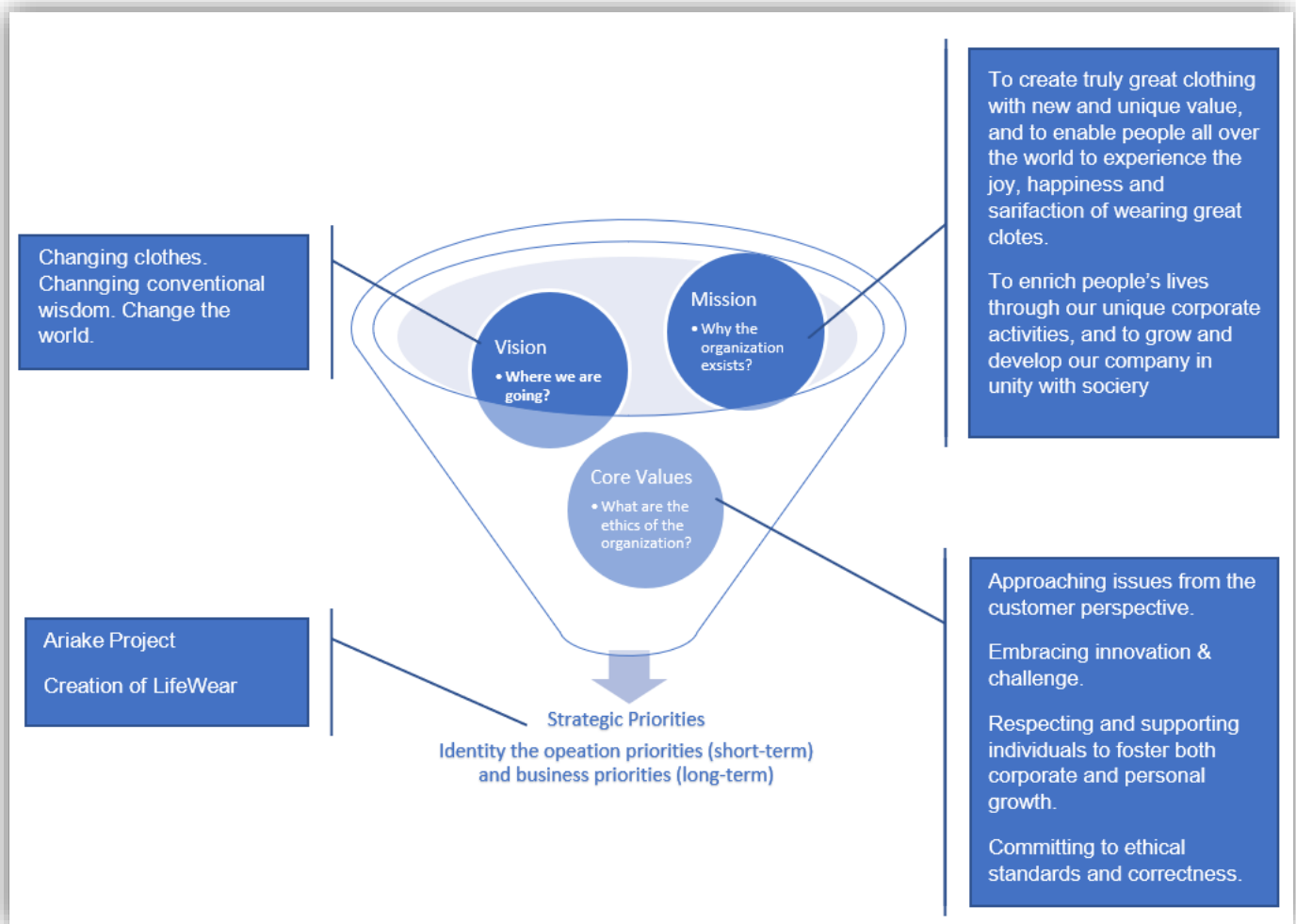
Source: (Fast Retailing, 2019a, p. 30)

1.3 Summary of how UNIQLO’s VMV influence to the strategic direction

VMV is a direction for a company to formulate its business strategies at the corporate and business level. If we again to picture them together as a funnel, at the broadest part, we will have UNIQLO’s mission statement, followed by its vision, which has been extracted by the mission as a boundary to formulate its strategy. From the narrowest part of the funnel, we will have the UNIQLO’s strategic direction for having the Ariake Project and allocation of resources to the LifeWear concept (Figure 1-6); it is clear and explicit about how UNIQLO will do, and not to do, to achieve the vision through the core values, i.e., employees of UNIQLO motivated by and adhere to company’s values (Figure 1-7).

We would expect to see profitability goals, in addition to metrics on customer and employee stratification, and social and environmental responsibility.

Figure 1-7: How UNIQLO's VMV influence to the strategic direction



Source: Constructed by author

2. Macro-environmental analysis for the Hong Kong casual wear industry and determine the opportunities and threats for the industry.

PESTLE analysis is a measurement tool to examine and observe the macro-environment factors that may affect a business (Gupta, 2013), altering the strategic development. The abbreviation stands for Political, Economic, Social, Technological, Legal, and Environmental. We may use this tool to illustrate a holistic view of the external influencing factors over the fast fashion industry in Hong Kong.

2.1 PESTLE analysis

Some of the external elements may severely impact the overall apparel industry, while some may not. We will explore further and to prioritize under their critical level that seems to be more sensitive to the industry:

Table 2-1: Environmental Factors and its impacting level

	How it impacts to the industry	Seems to be sensitivity to the industry in terms of:			Author's ranking on the level of impact
		Corporate Level	Business Level	Profitability	
Political	• Free trade-port • Political unrest	↑ ↑	↑ ↑	↑ ↑ ↑	2 nd
Economic	• Financial Index • Unemployment Rate • Cash flow for rental lease	↑ ↑	↑ ↑	↑ ↑ ↑	1 st
Social	• E-commerce • Wealth-gap	↑ ↑	↑	↑ ↑	3 rd
Technological	• Enhancing customer shopping experience	↑	↑	↑	6 th
Legal	• Hong Kong ASEAN pact • Xinjiang cotton	↑	↑	↑	4 th
Environmental	• Discarded clothes	↑	↑		5 th

Source: Constructed by author

2.1.1 Economic

The fast fashion industry has witnessed fluctuation in Hong Kong due to the coronavirus epidemic's pitfall pressures. External forces come from different aspects:

i) Financial index, ii) Unemployment rate, iii) Cash flow for lease rental.

- i) Financial index - McKinsey's research showed 42% of survey participants from the industry were worried because of a weakening global economy, the trade war between China and the US conceivably interrupt the trading, and the ambiguity over Brexit (McKinsey&Company, 2019). Hong Kong's financial index's sinking movements also revealed that the market is struggling, challenged by a weak economic status, less labor production, and low purchasing power.

Hong Kong recorded -9.0% in GDP in Q2 of 2020 (Census and Statistics Department, 2020a). Retail's business receipts dropped from 102.1 in 2018 to 65.2 in 2020 (Table 2-2).

Table 2-2: Business Receipts between 2017 and 2020

Year	Quarter	Service Industries					
		Import/export trade	Wholesale	Retail	Transportation	Land transport	Water transport
2017		99.7	101.8	93.9	100.1	105.5	93.9
2018		103.4	106.2	102.1	108.2	111.1	97.9
2019		96.5	97.4	90.7	105.7	112.6	98.1
2019	Q2	95.0	101.5	95.0	108.1	116.3	99.4
	Q3	99.0	95.2	78.9	106.9	111.3	100.7
	Q4	100.2	96.9	81.0	104.1	108.4	97.7
2020	Q1	80.7	82.4	70.2	84.2	83.7	94.2
	Q2 #	87.0	89.4	65.2	77.2	77.8	98.1

Source: (Census and Statistics Department, 2020c)

- ii) Unemployment rate – The global job market is quiet and is under a cyclical unemployment downturn cycle due to the virus outbreak. Cyclical unemployment indicated an increasing unemployment rate with low job opening (Diamond, 2013).

As for Hong Kong, the job market is suffering from a shrinking economy and is further affected by social unrest. Dr. Law Chi-Kwong, Secretary for Labour and Welfare, commented that the labor market would keep on facing tensions (Reuters, 2020a); The latest unemployment rate between June and August 2020 was 6.1% (Census and Statistics Department, 2020b).

- iii) Cash flow for lease rental - High rental with low sales volume affected many retailers in the apparel industry. A survey from The Hong Kong Retail Management Association “HKRMA” revealed around 11,800 stores were closed down between February and August 2020, and about 8,600 more may shut by December (Reuters, 2020b). More than 15K stores may cease operation with no government relief for their rental (Kwan, 2020).

G2000 Apparel Ltd, a UNIQLO’s competitor, closed two shops in Harbor City on 12 Aug due to rental overdue (Kawn and Cheng, 2020). Some landlords lower the rents, e.g., Link Reit, but it does not help clothing retailers survive (Kwan, 2020).

2.1.2 Political

Some rules and regulations may restrict or support the business’s facilitation in the areas where a brand may operate, with both positive and negative impacts:

- i) Positive impacts - Hong Kong is a free-trade port driven by principles of free trade and free markets; it implies that there are no restrictions on investments inwards or outwards for the casual wear industry.

Even China is planning to turn Hainan into another free-trade port, and Hong Kong is not likely to suffer from the loss of advantage as an international hub because of the legitimate structure and the regime of law (Yau and Lee and Westbrook, 2020).

On top of that, there is no foreign exchange control in Hong Kong, which indeed attracts international apparel brands to enter the market.

- ii) Negative impacts - Political unrest in Hong Kong jammed all industries, including fast fashion. Shops have to close operation early due to protests, directly affected their daily sales volume and disruptions in their supply chain. More than 10,000 stores ceased, and over 5,600 people lost their job related to retailing in 2019 due to the political unrest (Sergei, 2019).

Hong Kong was rated the 5th place in the IMD World Competitiveness ranking in 2020, fell from second place compared to 2019 (Figure 2-1). Due to political unrest, 7,600 Hongkongers emigrated to other countries in 2018 (Sun, 2019); the emigration number rose year by year, especially with some countries relaxed their emigration policies for Hong Kong. With anti-government activities and dropping competitiveness, these are push factors for another emigration wave.

Figure 2-1: IMD World Competitiveness ranking 2020

2020	Country	2019	Change
1	Singapore	1	0 —
2	Denmark	8	6 ↑
3	Switzerland	4	1 ↑
4	Netherlands	6	2 ↑
5	Hong Kong SAR	2	-3 ↓
6	Sweden	9	3 ↑
7	Norway	11	4 ↑
8	Canada	13	5 ↑
9	UAE	5	-4 ↓
10	USA	3	-7 ↓

Source: (IMD World Competitiveness Center, 2020)

2.1.3 Social

Social-cultural values will affect to the business growth. Many social factors in Hong Kong impact the fast fashion industry, including population growth rate, age distribution, career industry. Here we will focus more on the customers buying behavior in terms of i) e-commerce ii) wealth-gap.

- i) E-commerce - With a digital platform, companies may use big data to ensure their marketing campaign pieces will reach to their targeted customers (Mogoş, 2015, pp. 240-248). The shopping preferences are evolving; millennials are using social media platforms to follow fashion marketers, and to purchase any clothing items introduced by influencers, they are looking for excellent quality at a lower price.

During the period of having social distancing measurements in Hong Kong, people stayed at home more often and spent lesser time shopping or even shops close operation earlier due to lesser customer flows. To have a

sustainable sales volume, many shops started to focus on e-commerce (Ng, 2020). The government also introduced D-Biz funding to help companies develop their online or IT solutions (The Hong Kong Productivity Council, 2020).

- ii) Wealth-gap - Due to the coronavirus epidemic impacting the economic and unemployment rate, the wealth-gap in Hong Kong is broader (Lam and Kwan, 2020), almost having the most severer ratio among other developed countries (Ewing, 2018).

That resulted in changing consumer spending behavior; consumers are looking for greater value, high quality with good service at a fair price. Thus, the fast fashion industry quickly implemented its value marketing strategies to fulfill the buyers' needs who are more financially conscious.

2.1.4 Legal

Legal factors are including consumer law, employment law, health, and safety law. Although it impacts to the fast fashion industry in Hong Kong, those are indeed minimal. The minimum wages, working hours, and employment acts are accessible for a firm to follow with the given guidelines. We may look into the latest factors such as i) Hong Kong-ASEAN pact, ii) Xinjiang cotton.

- i) Hong Kong ASEAN pact - With effective from 4 July 2020, the apparel industry in Hong Kong, as well as other industries such as jewelry and toys, will be covered by the free trade agreement, with better business opportunities for ASEAN members in Malaysia, Singapore, Thailand, Philippines, Vietnam and Laos (Information Services Department, 2020).

Investors of the fast fashion industry in Hong Kong will get protection on the cross-border transfer under the ASEAN pact.

- ii) Xinjiang cotton – Due to the Xinjiang region’s factories being presumed to use involuntary labor, many countries started to ban using their cottons, including H&M (AFP, 2020). It impacted many companies in terms of their supply chains, because Xinjiang is one of the biggest cotton suppliers to the apparel industry; if Hong Kong established such importing law, it would lead to lots of disruptions.

2.1.5 Environment

There are currently no critical environmental issues faced by the clothing industry in Hong Kong. The only factor from the fast-fashion catches environmentalists’ attention is the number of discarded clothes during the season change, which is also caused by consumers’ behavior; Asian countries have variation in seasons that lead to rapid fashion changes based on the local weather. Greenpeace in Hong Kong, an independent international environmental organization, encouraged people to “Buy smart, Buy less” (Greenpeace East Asia, 2016a), and they showed that in 2016, people in Hong Kong disposed around HKD3.9 billion of clothing, which people bought but hardly or not ever put on (Greenpeace East Asia, 2016b).

2.1.6 Technological

Most manufacturers established offshore production plants to reduce their operating expenses; such relocation reduced the number of manufacturers in Hong Kong. Thus, the apparel technology in Hong Kong is not as impactful compared to other external environmental factors. Still, even the machineries are offshore, the fast fashion industry

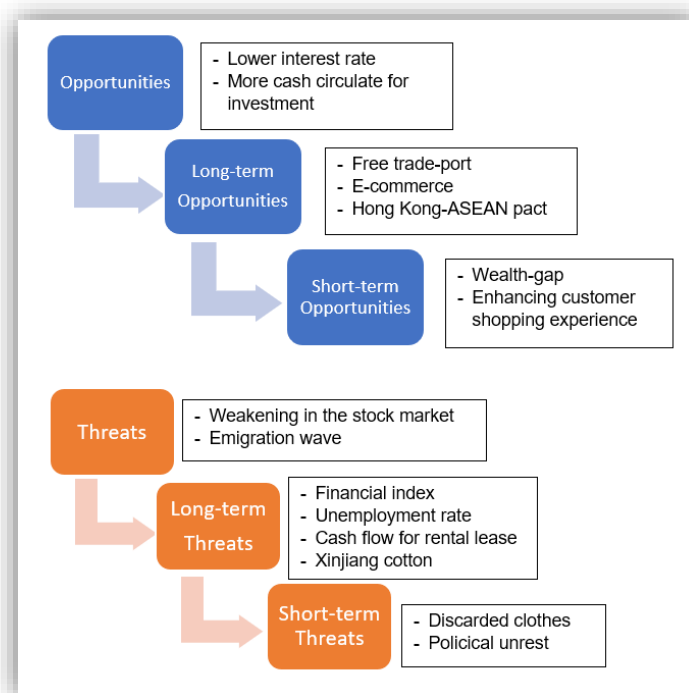
shall be responsible for using technologies that preserve the environment and attention to sustainable development.

Other related technologies are more on enhancing customers' shopping experience, such as i) 3D human modeling for tailoring (HKTDC, 2020) ii) AI for retail or fitting experience (Alibaba Group, 2018).

2.2 Opportunities and Threats

According to the PESTLE analysis, we may conclude by the industry's opportunities and threats. From a wider angle, the economic factors bring in opportunities such as a lower interest rate that may have more cash circulate for investment opportunities; at the same time, the unemployment rate leads to specific threats like weakening in the stock market, and political factors may further lead to emigration wave. The figure below illustrates the opportunities and threats in the long-term and short-term basis (Figure 2-2).

Figure 2-2: Opportunities and Threats



Source: Constructed by author

3. Evaluate the corporate and business strategy recently proposed by Fast Retailing and appraise these strategies' effectiveness based on the Balanced Scorecard.

FR implemented different growth strategies with a resource-based view approach to improve its resources on productive input and competitive assets; moreover, the firm implemented strategies that boost its capabilities. They used appropriate approaches to increase its product inimitability, substitutability, and competitive superiority.

3.1 Types of strategies that UNIQLO implemented

By focusing on UNIQLO, we can see that the current business strategies (Table 3-1) implemented by UNIQLO are bringing sustainable competitive advantages over its rival on a long-term basis. We will analyze the performance of those growth strategies by using a Balanced Scorecard. In general, UNIQLO implemented concentrated growth strategies that can be categorized in the following sub-strategies i) Market Penetration, ii) Market Development, iii) Product Development.

Table 3-1: UNIQLO's business strategies

Increase Product Inimitability	Increase Substitutability	Competitive Superiority
• Product Development	• Vertical and Backward Integration	• Best-Cost Provider • Market Penetration • Market Development

Source: Constructed by author

3.1.1 Market Penetration

Market penetration helps to increase market share by using the current products (Ansoff, 1957, p. 113). UNIQLO collaborates with various fashion designers, e.g., JW Anderson (Uniqlo, 2020a), and Marimekko (UNIQLO, 2020b), to create a unique fast fashion style. Moreover, UNIQLO created a UT collection (UNIQLO, 2020c) to partner with other international brands such as Walt Disney, local artists, and other animation companies, by printing their art pieces or cartoon characters on their T-shirts. UNIQLO created brand awareness and increased the market share much faster through collaboration, especially to those new markets.

In Hong Kong, UNIQLO launched several campaigns that driven the customers queue-up to buy their new UT collection designs, e.g., Doraemon, KAWS, Sesame Street, and Takashi Murakami. The KAWS collection could be one of the most successful campaigns that got sold out globally on the first day of launch; it reached 450 million impressions on the hashtag #EverybodyKAWS and received over 83,000 comments on social media platforms (Zhuang, 2019).

3.1.2 Market Development

Even many external factors impact the industry, UNIQLO is still expanding in terms of the number of POS. Their products are essential clothing items that are more comfortable for the brand to enter a new market. Almost a hundred new stores are opened globally within a year; they also entered new markets such as India and Italy in Nov 2019 and Vietnam in Feb 2020 (Table 3-2). On 30 Sep 2020, UNIQLO has it largest store in Macau opened (The Macau Post Daily, 2020).

Table 3-2: UNIQLO's stores geographic distribution

Units: Stores	As of May 31, 2019	As of August 31, 2019	As of November 30, 2019	As of February 28, 2020	As of May 31, 2020
UNIQLO Operations	2,173	2,196	2,249	2,242	2,234
UNIQLO Japan:	822	817	817	811	813
Own Stores	779	774	771	765	767
Large-scale	229	230	235	233	237
Standard	550	544	536	532	530
Franchise	43	43	46	46	46
UNIQLO International** :	1,351	1,379	1,432	1,431	1,421
Mainland China	687	711	738	748	745
Hong Kong	28	29	30	31	31
Taiwan	68	67	68	68	68
Korea	186	188	186	182	175
Singapore	28	28	28	28	27
Malaysia	48	49	51	49	49
Thailand	50	50	51	50	50
Philippines	57	58	61	60	60
Indonesia	26	26	32	29	30
Australia	18	20	21	22	22
Vietnam	0	0	0	1	3
India	0	0	2	3	3
USA	51	51	52	50	50
Canada	11	11	12	12	12
UK	13	13	15	15	15
France	27	24	24	22	21
Russia	36	37	41	41	40
Germany	9	9	9	9	9
Belgium	3	3	3	3	3
Spain	2	2	4	4	4
Sweden	1	1	1	1	1
The Netherlands	1	1	1	1	1
Denmark	1	1	1	1	1
Italy	0	0	1	1	1

Source: (Fast Retailing, 2020c)

3.1.3 Product Development

To maintain the current mission and create new products (Ansoff, 1957, p. 114). Besides the product line UT collection mentioned in section 3.1.1, UNIQLO focused on developing new products to increase inimitability. AIRism and HEATTECH collections represent UNIQLO's product line's success, at the maturity stage of the product life cycle, representing a cash cow at BCG Matrix.

The HEATTECH technology is also evolving, from the essentials clothing that keep people warm, it evolved to extra-warm and ultra-warm (Table 3-3), and the latest one from this product line is the HEATTECH blanket (UNIQLO, 2020d). Being the first-mover to bring new concept to the market, UNIQLO has advantages in price-setting as now being the price-leader of HEATTECH technology.

Table 3-3: Types of HEATTECH

CHOOSE FROM 3 LEVELS OF WARMTH		
	HEATTECH	Thin yet warm. Layer stylishly without bulking.
	HEATTECH EXTRA WARM	A brushed lining provides 1.5 times* the warmth of the original HEATTECH. *Calculated based on the CLO value that measures heat resistance. Compare to regular HEATTECH.
	HEATTECH ULTRA WARM	A brushed lining provides 2.25 times* the warmth of the original HEATTECH. *Calculated based on the CLO value that measures heat resistance. Compare to regular HEATTECH.

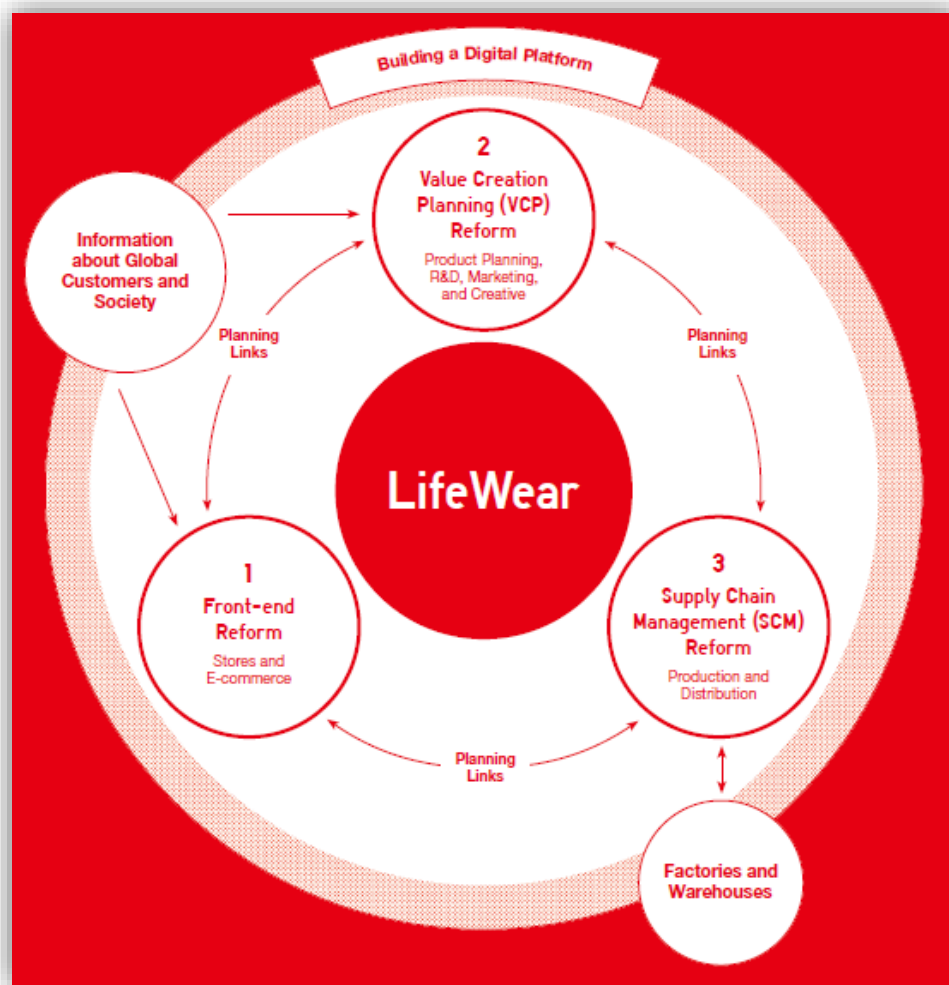
Source: (UNIQLO, 2020d)

3.1.4 Vertical and Backward integration

Vertical integration allows a firm to gain ownership or increased control from manufacturing, marketing to retailing, and after-sales service. Backward integration allows a firm to directly manage its supplies and quality (Lin and Parlakturk and Swaminathan, Madu).

UNIQLO pursued a project combining both vertical and backward integration called Ariake Project (Figure 3-1), reducing “Time to Market”. The idea is to change the retailing and logistics to digital, which will also reform their supply chain and connections between their plants, storerooms, and stores worldwide (Fast Retailing, 2019a, p. 31).

Figure 3-1: Digital Platforms of the Ariake Project



Source: (Fast Retailing, 2019a, p. 31)

3.1.5 Competitive Strategy: Best-cost provider

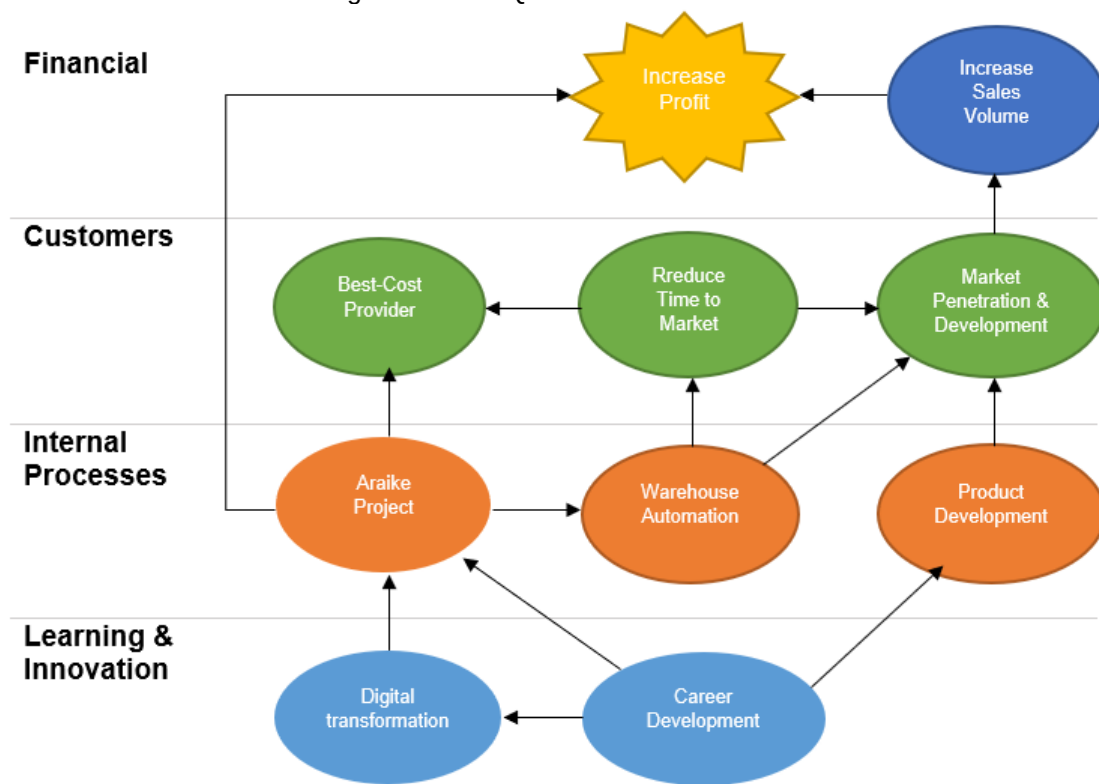
By running the best-cost strategy, UNIQLO targets the value-conscious buyers; they have the resources and capabilities to incorporate their quality products at a valuable cost to customers. In terms of value proposition, UNIQLO implemented value creation planning, which they collect worldwide customers' feedback and then refined their Lifewear product to be more valuable (Fast Retailing, 2019a, p. 31). The Ariake project on warehouse automation also reduces the logistic costs to benefit the customers at a lower product price.

If we look further into the operation of GU, another brand from FR, they are featuring the low-price over its competitors; the firm even opened GU stores next to UNIQLO in Japan so that customers can purchase both UNIQLO's essentials and GU's low-price fashion items (Fast Retailing, 2019a, p. 49).

3.2 Balanced scorecard model

It is a traditional business model for measuring a company's performance on financial and non-financial attributes, allow the business to review its performance for long-term success (Kaplan and Norton, 1996). A typical balanced scorecard highlights the company's performance in four aspects: i) Financial, ii) Customers, iii) Internal Processes, iv) Learning & Innovation. We will look further into the linkage between each performance result in this study (Figure 3-2).

Figure 3-2: UNIQLO's Balanced Scorecard



Source: Constructed by author

3.2.1 Learning & Growth

UNIQLO is dedicated to its staff development as one of FR's core values - "Respecting and supporting individuals to foster both corporate and personal growth" (Fast Retailing, 2020d). Indeed, business success always started from its employees at the operation level, so UNIQLO focused on their development. They have a career advancement program called "No Challenge, No Future," which allows its employees to challenge themselves in new positions and responsibilities work in other regions (Fast Retailing, 2020e).

FR received 71% of the staff responded to the employee engagement survey in 2019, resulting positively in staff engagement, development, working relationship, etc (Fast Retailing, 2020f). FR's staff also appreciated the innovation of the company's digital transformation that have smoothen the work processes (Fast Retailing, 2020g).

The company's effort in on-going learning and innovation platform contributed to the enhancement of internal processes.

3.2.2 Internal Processes

The Ariake project mentioned in section 1.2.2 and warehouse automation is one of FR's internal processes implemented by its talented employees at the business and operation level. The strategy is to reduce the time to market, and we may evaluate the result by looking at the Asset Conversion Cycle (Table 3-4), with the financial data from FR's consolidated balance sheet and income statement (Fast Retailing, 2020h). Skipping the 2020 result here because the year is affected by unanticipated environmental threats which FR may implement other strategies, we can see the days

of inventories on hand decreased from 157 days in 2018 to 127 days in 2019; moreover, the cash cycle is shorter from 94 days to 78 days. It shows that the Ariak Project implemented in 2017 reduced the time to market and ultimately benefited the customers and increased the financial performance.

Table 3-4: Consolidated Balance Sheet and Income Statement

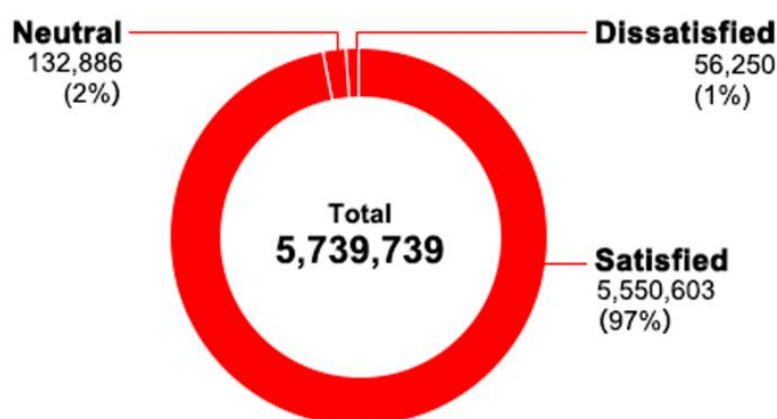
Consolidated Balance Sheet and Income Statement	FY2018 (2018/8/31)	FY2019 (2019/8/31)	FY2020 (2020/5/31)
Revenue	2,130,060	2,290,548	1,544,924
Cost of good sold	1,080,123	1,170,987	793,637
Inventories	464,788	410,526	380,673
Trade and other receivables	52,677	60,398	78,240
Trade and other payables	214,542	191,769	151,420
Asset Conversion Cycle			
Days Inventories on Hand = (Inventory x 365 days) / Cost of good sold	157.06	127.96	175.07
Debtor Collection Period = Year End Debtors x 365 / Annual Credit Sales	9	10	18
Creditor Payment Period = Year End Creditor x 365 / Annual Credit Purchase	72	60	70
Cash Cycle = Stock Turnover - Creditor Payment Period + Debtor Collection	94	78	124

Source: Constructed by author

3.2.3 Customers

UNIQLO surveyed 5MM+ of its global customers in 2019 and received a 97% satisfactory score (Figure 3-3).

Figure 3-3: UNIQLO's Customer Satisfactory Survey



Source: (Fast Retailing, 2019b)

While the time to market is shorter, with the market penetration and development strategies implemented by the firm, as well as the best-cost provider approach, UNIQLO reached out to more customers and eventually increased the market share, and revenue boosted up from JPY708B in 2017 to JPY1,206B in 2019 (Table 3-5).

Table 3-5: UNIQLO's Revenue between 2017 and 2019

		Yr to August 2017		Yr to August 2018		Yr to August 2019	
		Billions of Yen/Stores	Y/Y (%)	Billions of Yen/Stores	Y/Y (%)	Billions of Yen/Stores	Y/Y (%)
UNIQLO International	Revenue	708.1	+8.1%	896.3	+26.6%	1,026.0	14.5%
	Operating profit	73.1	+95.4%	118.8	+62.6%	138.9	16.8%

Source: (Fast Retailing, 2020i)

The best-cost provider approach benefited value-conscious customers in which reflected from 0.6% y-o-y growth of the average purchase per customer at its Japan stores, year to August 2020 (Table 3-6). Although UNIQLO offers a lower cost, its quality remains satisfactory; mainland China customers continuously rated UNIQLO as the top quality clothing brand (Fast Retailing, 2019a, p. 12).

Table 3-6: UNIQLO's Average Purchase per Customer

	Same Stores + Online Sales		Own Stores + Online Sales	
	705 Stores	Yr to Date	764 Stores	Yr to Date
Net Sales	129.8	93.2	129.9	92.8
Customer Numbers	126.0	92.4	126.1	92.2
Average Purchase per Customer	103.0	100.8	103.0	100.6

Note: **Data target:** UNIQLO Japan directly-run stores (excluding franchise stores)

Same stores: Directly-run stores that have been in operation for the full business term

Source: (Fast Retailing, 2020j)

3.2.4 Financial

All strategies implemented by UNIQLO reached the goal of increasing profit (Figure 3-2). Besides the growing revenue that we discussed in section 3.2.3, we may also evaluate its ROI from other financial ratios:

- i) Profit Margin - An increasing trend between 2017 and 2019, from 9.5% to 11.2% (Table 3-7). It shows that UNIQLO is financially healthy and revenue-driven.
- ii) ROE - A slight fluctuation between 2017 and 2019 resulted in 18% at FYE2019 (Table 3-7). It illustrates the management at UNIQLO has the capability to generate income from the available equity.

Table 3-7: FR's Financial ratios

	2017	2018	2019
Reference Indices			
Operating income margin/Operating profit margin (%)	9.5%	11.1%	11.2%
ROE/Ratio of profit to equity attributable to owners of the Parent (%)	18.3	19.4	18.0
Equity ratio/Ratio of equity attributable to owners of the Parent to total assets (%)	52.7	44.2	46.7
Debt-equity ratio (%)	38.5	63.1	54.7
Dividend payout ratio (%)	29.9	29.0	30.1

Source: (Fast Retailing, 2019a, pp. 56-57)

3.3 Summary from the UNIQLO's balanced scorecard

There are four aspects to the balanced scorecard, and they interlink to each other. All strategies implemented by UNQLO ultimately reached to the goal of increasing profit (Figure 3-2). Started from successful learning and innovation, it help with the transformation of UNIQLO's internal business process; from there, the new business process benefited their customers, finally the firm had profit increased between 2017 and 2019.

4. Propose recommendations for both corporate and business level strategies for Fast Retailing. Analyze how these strategies can be effectively implemented.

While there are rapid changes in the environmental factors beyond the industry's control, a company shall start to review and implement changes to its business strategies (Madu, 2013, p. 2). It is one of the most challenging times this year for Hong Kong; we may recommend FR to fine-tune its current strategies by having a sustainable plan that may lower the crisis level and secure its competitive advantages. According to the performance result from the balanced scorecard and by reviewing the opportunities and threats from the macro-environmental factors, we may summarize by having business strategies recommendations to FR at the corporate and business level.

4.1 Recommendation to the corporate level

FR has strong resources and capabilities, and its brand UNIQLO has a solid market share by now, the firm shall continue to implement the growth strategies. While their forward and backward integration has completed, FR may continue with its concentration growth strategies and follow by a diversification strategy.

4.1.1 Concentration growth strategy

With the industry's threats, some smaller FR's competitors may start to shrink with retrenchment strategies or even cease their operation. That may create extra opportunities for FR, so it may continue to concentrate on the current industry and

increase its market share through market penetration, market development, and product development. UNIQLO's current market development strategies and product development have been doing great; we may provide recommendations to its market penetration strategy.

Market penetration entails increasing market share; typically, a company will use advertisements to attract new customers. While we anticipated that e-commerce is the new trend of shopping channels in Hong Kong, FR may consider boosting their advertisement effort in social-media platforms when they have new product launches from their product development. Alternatively, to engage local celebrities as there brand ambassadors, so to increase the market share from the local market, especially to those newly entered markets. Currently, UNIQLO's brand ambassadors represent the niche market from tennis players to golfers, which are presenting a healthy and positive image. However, UNIQLO's products are mainly for essentials daily wear; the brand might consider engaging more brand ambassadors recognized by the mass market, which may shorten the time for market penetration.

4.1.2 Concentric diversification strategy

Since most UNIQLO products are at the mature stage in the product life cycle, they might reach the decline stage in the long-run. Putting in more effort into the market penetration strategy may only be a zero-sum game if the number of customers in the market is not increasing, especially when no tourists are traveling around due to the COVID-19 epidemic, all sales are relying on local customers. As such, FR may consider implementing the concentric diversification strategy to create new co-related products to the existing market, then to increase market share. An idea for its product

development would be fashion accessories that co-related with the UT collections, or sneakers that may match its current sports collections.

4.2 Recommendation to the business level

Business level strategies are actions of a company that converts VMV into concrete strategies as a blueprint to secure the company's competitive position. According to the business performance of FR and the industry's opportunities, the firm may consider using the differentiation strategy to enhance customers' experience.

4.2.1 Differentiation strategy

There are different ways to enhance customers' experience, such as i) omnichannel approach, and ii) personal shopping experience:

- i) Omnichannel approach - to engage customers who already have activities with FR, ensures they get a seamless and consistent improved customer experience, regardless of which channel they are using, e.g., UNIQLO's app, GU's app, websites, online chat, in-store. The main idea is to make the shopping experience as effortless and easy as possible by placing the customers at the center of the strategy, and to convert every touchpoint into a sale (Figure 4-1).

An example is to allow customers to purchase items at a one-stop e-commerce site across the brands of FR; they may add any items to an online shopping cart and then to have all items to deliver to a nearby store for fitting before confirming the purchase at the store. FR may implement AI-technology and use big data to recommend the clothing items that are best

suit for individual customers. Reducing different touchpoints makes it easier for the customers to complete their shopping journey across all FR's brands.

Figure 4-1: Omnichannel for FR



Source: Constructed by author

- ii) Personal shopping experience - FR may consider introducing personal shoppers at one of its flagship stores to provide unique shopping experiences to its customers. Adding a unique experience may capture more guests who are looking for quality services. Some competitors of FR are using this approach in western countries, e.g., Topshop in Europe (Topshop, 2020) and Singapore (Honeycombers, 2016), in which FR may bring in the same concept to Hong Kong, whom may introduce the clothing items to its

customers across the brands of FR so to increase the average sales per customers.

4.3 Evaluation of recommended strategies

We may gauge the recommended strategies' effectiveness through 4 board criteria (Celik, 2019): i) Consistency, ii) Consonance, iii) Advantage, iv) Feasibility.

4.3.1 Evaluation

- i) Consistency – Strategies shall align with VMV

Table 4-1: Consistency

	Vision	Mission	Value
Concentration Growth Strategy	✓	✓	✓
Concentric Diversification Strategy	✓	✓	✓
Differentiation Strategy (Omnichannel & Personal Shopping Experience)	✓	✓	✓

Source: Constructed by author

- ii) Consonance – Strategies shall be relevant to environmental trends.

Table 4-2: Consonance

	Economic (unemployment, lower interest rate)	Political (political unrest, emigration wave)	Social (e-commerce, wealth-gap)
Concentration Growth Strategy	✓	✓	
Concentric Diversification Strategy	✓	✓	✓
Differentiation Strategy (Omnichannel & Personal Shopping Experience)		✓	✓

Source: Constructed by author

iii) Advantage – Creation or maintenance of competitive advantage

Table 4-3: Advantage

	Create competitive advantage	Maintain competitive advantage
Concentration Growth Strategy	✓	✓
Concentric Diversification Strategy	✓	
Differentiation Strategy (Omnichannel & Personal Shopping Experience)	✓	

Source: Constructed by author

iv) Feasibility – Not overloading current resources or bringing new issues

Table 4-4: Feasibility

	Resource allocation level	Create profitability	New issue
Concentration Growth Strategy	LOW to MID	MID	N/A
Concentric Diversification Strategy	MID	MID to HIGH	N/A
Differentiation Strategy (Omnichannel & Personal Shopping Experience)	MID to HIGH	MID to HIGH	N/A

Source: Constructed by author

4.3.2 Contingency plan

The above recommendations are based on an optimistic overview of positive environmental factors. However, when the global economy undergoes a prolonged recession, or the virus epidemic situation goes backward that creates more severe environmental impacts, FR may consider having a contingency plan to implement a retrenchment strategy. If that scenario happened, the first thing FR may consider is to

extend its cost-containment policies and to close some lower-traffic stores so that FR can allocate more resources to its e-commerce and omnichannel.

4.3.3 Action items and Gantt Chart

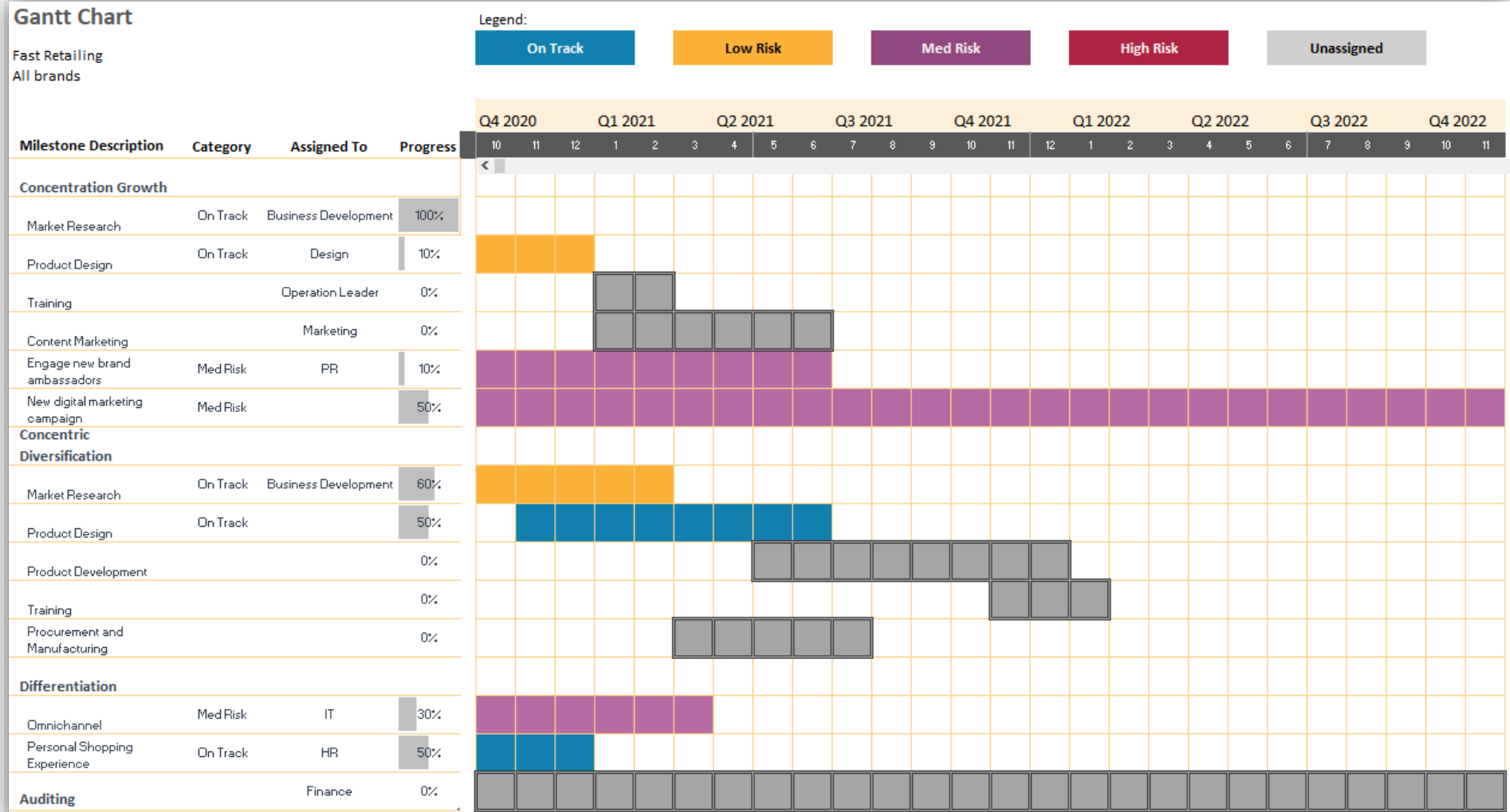
Lastly, we may conclude by providing action items for FR to implement the recommended strategies (Table 4-5), and to provide a Gantt Chart for reference (Figure 4-1).

Table 4-5: Action items

Concentration Growth Strategy	Concentric Diversification Strategy	Differentiation Strategy (Omnichannel & Personal Shopping Experience)
- Market research - Product design - Training - Content marketing - Engage new brand ambassadors - Launch new digital marketing campaigns - Audit	- Market research - Product design - Product development - Training - Procurement - Manufacturing - Audit	- Market research - IT development - Training - Launch new digital marketing campaigns - Audit

Source: Constructed by author

Figure 4-2: Gantt Chart



Source: Constructed by author

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