



Planning for Innovative Customer Service Report

—The case of Uniqlo



MODULE: MARKETING MANAGEMENT (BMMB7012)

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1: Executive Summary

This report is conducted based on the presentation given on 13th May 2021 which presented an environmental marketing analysis and analysis of customers service for Uniqlo. The following recommendations are made.

From the presentation:

- Create a “Phygital” shopping journey: intertwine physical experiences and digital technologies in order to enhance each other
- Use RFID tags: shorten the time of checkout and POS
- Employ autonomous robots: help customers identify products with 3D scanners and guide them by navigating through the store
- Open cashierless stores: customers are allowed to shop free with their items being scanned automatically

From the report:

- Raise brand awareness by implementing branding strategy from three aspects
- Evolve from multi-channel to omni-channel retailer to adapt to the change of customer requirements

2: Introduction

Uniqlo, the research subject for which this report is written, is the core brand created by famous Japanese retailer named Fast Retailing Co., Ltd, as well as the leading brand in the fast fashion sector of the textile and apparel industry. Formed in 1984, Uniqlo was a men's company producing high-quality formal wear for men and later developed into a brand with the objective of producing good-quality clothing at a low price and in a large array of colors for families with the change of market. (Haghirian, 2021, p. 31) As of December 2020, Uniqlo has 2252 stores worldwide, which generated 1.65trillion yen by selling more than 1 billion products in 2020.

This report will appraise how Uniqlo can create innovative customer service by raising brand awareness as well as evolving into an omni-channel retailer from multi-channel retailer. Only by achieving objectives through these two primary strategies can stakeholders' expectations be fulfilled at present and in the future.

The topics to be explored in this report are as follows:

- The current marketing capability and objectives of Uniqlo
- How Uniqlo implement the strategy of raising brand awareness
- How Uniqlo implement the strategy of developing into an omni-channel retailer

The aims of this report are that after a critical examination of the mentioned strategies and evaluation of their practicality, recommendations will be made to guide Uniqlo to achieve the objectives in order to survive the competitive business environment.

3: Main research and analysis

This section examines the results given the presentation (Huang et al., 2021), and their inferences, and based on which, reviews methods of creating innovative customer service through raising brand awareness and evolving from multi-channel to omni-channel retailer.

3.1 Information given by the presentation

The presentation has analyzed the macro-environment with PESTEL; the micro-environment with Porter's five forces framework; customer experience by 4Ps model and 4Cs theory with some typical case studies, as well as recommendations.

The main results suggested some potential risks. Firstly, trade protectionism intensifies uncertainty in the market. (Carvalho et al., 2019, p. 45) Secondly, long-term economic recession and the pandemic outbreak affected people's purchase capacity. (Sheth, 2020, p. 280) Thirdly, the rise of internet and mobile technologies changed customers behavior. (Deng 2021, p. 44)

Uniqlo has its own R&D centers and powerful product lines shown to the customers, which plays an important role in its products and brand differentiation. (Haghirian, 2021, p. 34) The advantage of Uniqlo's history in proving low-price products exactly meets the requirement that resulted from customers' increasing sensitivity to price. (Pitel, 2021) Combined with rising of digital economy, Uniqlo's e-commerce sales expanded 13.3billion yen, accounting for approximately 15% of total sales, even though its revenue and profits decreased sharply in all overseas markets. (Fast Retailing, 2020)

3.2 How can Uniqlo creates innovative customer service

The starting step of developing strategy is to understand the forces that form industry competition. (Porter, 2008, p.88) Hence, it is necessary for Uniqlo to grasp the most outstanding aspects of the competitive environment and know the baseline for sizing the business by using the five forces framework in order to create innovative strategy. Within the presentation (Xiang et al., 2021), the analysis of micro-environment based on Porter's five forces revealed the industry competition among new entrants, supplier's power, competitive rivalry, buyer's power and substitution.

- **The power of supplier: Low.** Although the costs on suppliers of labor are rising as most of Uniqlo's suppliers are located in China, it still maintains long-term friendly cooperative relations with its suppliers.

- **Threat of entry: Moderate.** The entry barriers of retail fashion are comparatively low so that more and more new brands are entering the market, but it's hard for them to gain much market share.
- **The threat of substitutes: Moderate.** So far, there are a large amount of clothing that is similar to Uniqlo's design and style, such as Muji and NOME, but they are not science-oriented as strong as Uniqlo.
- **The power of buyer: High.** Customers increase more obtainable value by decreasing prices and requiring service at higher quality, and tend to switch a vendor if the industry's products are standardized and undifferentiated.
- **Rivalry among existing rivalry: High.** In the marketplace, many famous retail fashion brands, such as ZARA, H&M, Gap and Forever 21, are threatening Uniqlo by being roughly equal in size and power.

For organizations, developing strategies can be considered as building strengths used to defend them against the competitive forces or seeking a position in the industry where the forces are weakest. (Porter, 2008, p. 89) Londhe defines marketing as a process, in which, one matches the capabilities of a company and the needs of the customers. In marketing, the primarily important task is to create and deliver unique value that meets customers' wants so as to earn a sustained competitive advantage (2014, p. 335) Therefore, building defenses by strengthening its advantages and improving its weakness should be considered as a priority for Uniqlo to achieve strategic marketing.

Regarding advantages, Uniqlo has successful global supply chain which is built on friendly cooperative relationship with its suppliers through developing relational governance, providing technical report and enforcing compulsory non-exclusivity arrangements. (Usui et al., 2017, p. 1) As a result, the price of Uniqlo's goods is comparatively low. Besides, UNIQLO is famous for its good-quality products by developing a science-oriented line of Heat Tech that intends to provide items used at warm weather with affordable price. (Mirza et al., 2020, p.1)

However, throughout the previous studies and discussions, it was clear that the promotion of Uniqlo usually heavily depends on traditional ways of marketing, such as TV advertising, and some general advertisements like videos on its website. However, consumers began to actively track needed information through multiple channels like brand websites, mobile browsers and search engines etc., instead of passively receiving brand information only by the way of legacy mass media such as print or TV and store. (Batra and Keller, 2016, p. 122) Therefore, reviewing innovative strategy to raise brand awareness should be considered as a priority for Uniqlo as there is a much richer array of communication possibilities and easier access to reach targeted consumers.

Strategic decisions can be affected by the value and expectations of those who has the power to determine organization's strategy. Any repositioning of organizational boundaries will be influenced by the managerial preferences and perceptions as much as by environmental possibilities. (Wilson and Gilligan, 2012, p. 11) In this case, the founder of Uniqlo, Tadashi Yanai's leadership is well known in the industry. Besides, Uniqlo's staff are also empowered to

make and act on their own decisions. According to Uniqlo's international strategy, Uniqlo marks their staff as stars and empowers local stores and staff to effectively connect and build relationships with their local customers. (Fast Retailing, 2020) Such an act is definitely of great significance for creating innovative marketing strategy.

Piercy and Morgan emphasize that the behavioral nature of the organization should be taken into account when the organization focus on an effective marketing planning process. (1994, p. 168) As Fast Retailing Co., Ltd. Stated, severe regulations haven been established by Uniqlo which indicate that the organization is responsible for employees' behavior and training. It is their goal "to foster both corporate and personal growth by establishing environments that cultivate people into becoming capable of performing innovative work from a global perspective" (Fast Retailing, 2010). In the case of Uniqlo, its current operational nature is supportive. Furthermore, another advantage of Uniqlo lies in that, with the employee franchising program, more possibility is given to store managers to become independent franchise owners. In this context, store managers have greater opportunities to identify problems and issues concerning the whole Uniqlo organization more quickly. (Fast Retailing, 2013).

3.3 Innovative strategy for raising brand awareness

Branding, in the past, has been frequently used as an effective marketing strategy tool and frequently achieved success. (Rooney, 1995) In O'Malley definition, a brand is, "A name, symbol, design, or some combination which identifies the product of a particular organization as having a substantial, differentiated advantage." (1991, p. 107) Bastos and Levy states that, "the root reason for all branding activity is to help human realize their desire of being an influential character with specific personal and social identity as well as a good reputation, and present themselves as both like other people (e.g. to belong) and unlike other people (e.g. to stand out). (2012, p. 349) Alternatively, branding is also described as a product that can be acknowledged and augmented if the perceived added values of a product mostly match the needs of buyer and user. In addition, being able to make these added values sustainable in the competitive market is critical to achieve success in branding. (De Chernatony and McDonald, 1992) In Rowley's analysis, their definitions emphasize that as success brand has three mostly significant aspects: (1) a brand is dependent on customer perception; (2) perception is influenced by the added-value characteristics of the product; and (3) the added value characteristics need to be sustainable. (2004, p. 132) Based on these three important points of branding, it can be known how to raise brand awareness for Uniqlo.

In Uniqlo's case, the innovative strategy for raising brand awareness covers three aspects. First is to produce "Unique" products. In an effective branding strategy, brand identity and brand image have to be managed systematically. Brand identity means the company's plan with regard to what associations consumers hold for the brand, whereas brand image is defined as the associations consumers actually hold for the brand. (Ci et al., 2017, p.65) For Uniqlo, as more

and more competitors, such as Zara, H&M, Gap and Forever 21, are entering the retail fashion sectors, it is urgent to differentiate from them so as to create unique perception for customers. To stand out of many competitors, Uniqlo should identify its position by continuously producing high-quality products that are at low-price, which will satisfy customers' expectations of purchasing better products with less money. For Uniqlo, the main difference of its branding should be that it has limited product line to basic items in a specific number and provides them in various colors, which will not only attract a larger target group, but also distinguish it from its competitors who focus on offering the newest fashion trends.

Second is to develop R&D centers to produce items with added-value characteristics. Currently, Uniqlo has various product ranges, among which the primary types include outerwear, knitwear, tops and bottoms while accessories and underwear belong to newly developed products. In the outerwear product line, the most eye-tracking series is Ultra Light Down; in the top product line, UT series is famous for the comic-inspired characters; in the underwear product line, Heattech is an eye-tracking series. (Schulz-Müllensiefen and Stöckmann, 2016, p. 226) However, in a report entitled *The State of Fashion 2021*, (McKinsey, 2020) McKinsey consultants have suggested that 'Consumer behavior has remarkably changed over the past year, as people were required to stay at home to shelter from the virus, travel was restricted, and stores were closed around the world. Hence, Uniqlo has to take measures to adapt the change of customer needs and behaviors. For example, due to the COVID-19, people have spent too much time at home, which leads to an approaching appreciation for higher quality, more sustainable fabrics, and real craftsmanship in the garments. (McKinsey, 2021) To adding value in garments, it is important for Uniqlo to invest more in R&D sectors to develop new fabrics which are sustainable and comfortable for customers to stay at home at the post-pandemic period.

Final is to make its added-value sustainable. The added values which are more likely to be sustainable are the intangible values representing the essence of the brand and the internal processes that deliver these values. (De Chernatony et al., 2000, p. 51) According to Uniqlo's founder, Tadashi Yanai, the main philosophy of Uniqlo--LifeWear (ultimate everyday wear) is to create simple, quality clothing that fully satisfies daily needs and enriches all people's lives everywhere. (Fast Retailing, 2020) Uniqlo should convey this philosophy to customers by constantly offering simple, long-lasting, high-quality and comfortable clothing that doesn't waste resources, by becoming the infrastructure that supports society through tracking the changing customer needs, by making our society better through providing supports to those in need, and by embracing the concept of "Circular economy" through effectively using the resources serving as clothing material. The added-value of Uniqlo covers its philosophy to offer needed products, its mission to satisfy customers and its duty to the society, as well as its contributions to environmental protection. Uniqlo should embed its added-value into organizational building and make it regular in organization operation, which is one of the innovative strategy to raise brand awareness by achieving sustainable branding.

3.4 Innovative strategy for evolving from multi-channel to omni-channel retailer

According to Keller, various methods to communicate with and sell products to customers occurred in the recent decade. (2010, p.58) Distribution channels, including direct and indirect, undoubtedly play a significant part in providing innovative customer service. The distribution channels (or marketing's) "make the set of ways where the product goes after the production, culminating at the purchase or at the utilization by the final user". The choices and the distribution channels management affect all the other marketing decisions and influence at the companies competitiveness. (de Carvalho et al., 2014, p.106) Therefore, it is an ignorable challenge for marketers to choose communication and channel strategies that are able to maximize "push" and "pull" in today's complex and competitive retail environment.

In recent years, the rise of mobile technologies and social networks has transformed consumer behavior, leading to that the number of smarter, digitally-connected, price-conscious consumers that use multiple shopping channels to obtain the product or service they want, at the right price, and at the right moment keeps growing. (Aubrey and Judge, 2012, p. 31). With the digital revolution, customers prefer to use multiple channels when shopping. In the meanwhile, organizations also benefit more through multi-channel distribution. In this context, thanks largely to its business model, Uniqlo has performed remarkably well during the epidemic among the many clothing brands that have suffered. In FY 2020, through offline channels, the annual sales of Uniqlo reached approximately ¥1.65 trillion. Although in the overseas market in North America and Europe, Uniqlo experienced poor operations and overall performance due to COVID-19, its online sales unexpectedly grew rapidly. (Fast Retailing, 2020) Similarly, based on statistics released by the National Bureau of Statistics of China, Mainland China's online retail witnessed dramatic rise, and Uniqlo has been leading globally for six consecutive years. Through developing multi-channel distributions, Uniqlo has witnessed great success both in domestic and overseas markets.

However, the shift of business environment puts forward new requirements for retailers to develop from multi-channel to omni-channel. While the emergence of new channels has transformed the retail industry over the last decades, over the next decade the retail industry's ongoing transformation will be driven by the integration of these and other channels into a single, seamless customer experience: omnichannel retail. (Briel, 2018, p.218) To strengthen defenses in the market, Uniqlo must improve the ability to provide a holistic consumer service. As a textile and apparel brand with products covering customers across gender and age, Uniqlo needs to strive to integrate its separate channels into a single, seamless customer experience. Therefore, Uniqlo must stop believing that its trading is conducted through channels to market, and start to think highly of each point of contact with customers across channels.

On one hand, as digital mobile devices are increasingly popular and important in people's life, Uniqlo has to improve its online stores on various platforms, such as Taobao and Jingdong. In

the meanwhile, marketing activities should be updated to conform with discount festivals in different online shopping platforms so as to increase customers' loyalty. Besides, an app created by Uniqlo itself can serve as a convenient shopping method to directly provide up-to-the-minute information to young customers on their mobile devices and guide them to buy products they want immediately. In addition, the third-party apps can also make a difference. For example, in China, there is a very popular app named Xiaohongshu with over 100 million daily active users, on which, many celebrities promote and recommend products through sharing shopping service in ways of language, picture and video. Such a third-party app can be considered not only a way of marketing through word-of-mouth, but also a direct way for customers to buy products through clicking the links attached on picture. Hence, Uniqlo should take full advantages of similar third-party apps in order to improve customer service.

On the other hand, customer service is one of the most influential reasons to go to a physical setting where consumers expect a more personal shopping service through engaging with a staff member in the store (Bäckström and Johansson, 2006). As physical stores are transforming into a critical platform to offer unique shopping services, Uniqlo must reinvent its physical stores with staff-training and technologies. To satisfy an increasing need of personalization, Uniqlo needs to upgrade its service model by applying digitally empowered shopping associates who record customers' personal information and preferences. Staff needed to be arranged to be responsible to certain group of customers and serve them with the help of digital associate. Besides, autonomous robots are needed to strengthen self-service by automatically understanding the needs of customers through identifying their voice and guiding them to the specific showroom of needed products. What's more, autonomous cashier machines are helpful to shorten checkout time by automatically scanning products with 3D technology.

4: Conclusions

Uniqlo, as a leading brand in retail fashion industry, is confronted with various challenges in the competitive marketplace. According to business environment analysis with Porter's five forces framework, it can be known that the pressure of competitive marketplace requires Uniqlo to differentiate the customer service. With comprehensive and in-depth analysis, branding and developing omni-channel should be considered as a priority for Uniqlo in order to provide innovative customer service. Branding is basic way to differentiate from competitors by connecting consumers in digital age, (Edelman, 2010) and offering omnichannel service is now a requirement for survival. (McKinsey, 2021) Based on above research, raising brand awareness through branding and evolving from multi-channel to omni-channel retailer play a significant part in planning for innovative customer service.

5: Recommendations

Based on the results of the presentation and this report, it is believed that all the following recommendations can be achieved, which will be helpful for Uniqlo to cope with challenges in the competitive marketplace.

From the presentation:

- Create a “Phygital” shopping journey: physical services and digital technologies will intertwine to enhance each other
- Use RFID tags: shorten the time of checkout and POS
- Employ autonomous robots: help customers identify products with 3D scanners and guide them by navigating through the store
- Open cashierless stores: customers are allowed to shop free with their items being scanned automatically

From the report:

- Raise brand awareness by implementing branding strategy from three aspects
- Evolve from multi-channel to omni-channel retailer to adapt the change of customer requirements

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6: Appendix

6.1 An organization summary

Uniqlo, the pillar brand of Fast Retailing Co., Ltd and the leading brand of retail fashion industry, is known for casual, high-quality clothing for very affordable prices. It is founded by Tadashi Yanai in 1984 with the original name of "Unique Clothing Warehouse", mainly producing casual clothes for both men and women. In 1994, Fast Retailing Co., Ltd firstly listed shares on the Hiroshima Stock Exchange. Three years later, it listed first shares on the Tokyo Stock Exchange.

In 2001, Uniqlo started expanding outside Japan. The first four overseas stores opened in

London, and only 1 year later, in 2002, two Uniqlo stores were opened in Shanghai. As of May 2020, Uniqlo has more than 2000 stores across the world, selling more than 1 billion products each year.

6.2 An environmental marketing audit

Available at: <https://moodle.uwtsd.ac.uk/mod/turnitintooltwo/view.php?id=350099>