

Individual Assignment #1 – SWOT

Uniqlo's Vancouver Entry Strategy

SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • Uniqlo offers a wide range of products that appeal to a large target market, which provides them with a large potential customer base and a high sales volume.ⁱ • Innovations, such as HeatTech, differentiate Uniqlo from other rival businesses that produce and sell similar clothing products.ⁱⁱ • Uniqlo offers competitive pricing without compromising the quality of their products. Although Uniqlo's products are very affordable, they are still perceived as a high-quality brand.ⁱⁱⁱ • There is a low risk of failure due to Uniqlo's international presence; many locals from Vancouver are already aware of their brand or have shopped at a Uniqlo branch in another country. 	<ul style="list-style-type: none"> • There is a lack of strong brand loyalty; Uniqlo's basic designs and simple apparel are not unique compared to competitor businesses. Some customers also prefer more stylish or well-perceived brands, such as Nike or Lululemon.^{iv} • Uniqlo has a smaller product portfolio and lower product turnover rate compared to rivals such as Zara and H&M, which limits consumer choices.^v • The limited brand presence of Uniqlo in North America causes a lack of brand recognition; many consumers may prefer to purchase from firms they are more familiar with.^{vi} • Uniqlo's clothing focuses on simplicity rather than fashion, which may not appeal to the demographic sector that is always up-to-date with the latest trends.
Opportunities	Threats
<ul style="list-style-type: none"> • Technological advancements present Uniqlo with E-commerce opportunities^{vii} as well as product development^{viii} opportunities. • In addition to the already existing Novak Djokovic, Uniqlo can increase their brand recognition in Canada through celebrity endorsement opportunities.^{ix} • There is a high demand for low-price clothing in Vancouver.^x • Fashion trends are becoming increasingly similar around the world due to globalization, so Uniqlo can design products that appeal to a global target market.^{xi} • The rainy Vancouver weather brings opportunities for Uniqlo's brand, HeatTech; many locals may be attracted to HeatTech products during the fall and winter seasons. 	<ul style="list-style-type: none"> • Unpredictable shifts in fashion trends may reduce demand for Uniqlo's product designs.^{xii} • The weakening Canadian economy has led to reduced consumer spending, which may affect Uniqlo's sales revenues and survival in Canada.^{xiii} • Constantly increasing minimum wages in British Columbia indicates higher labor costs and lower profit margins for Uniqlo in the future.^{xiv} • Canadian government regulations regarding business operations may differ from those in Asian countries.^{xv} • Uniqlo must face the existence of many well-established and better-known competitors in the clothing industry, such as H&M, Zara and Gap.

Rationale

Strengths: A major factor of Uniqlo's success in the retail industry is due to its wide range of products that are tailored toward a mass target market. This allows Uniqlo to have a large customer base and a high sales volume, which allow them to earn a high sales revenue despite their low prices. The fact that Uniqlo's products are perceived as affordable but high quality will also attract many customers. Uniqlo's HeatTech also provides a differentiation from its competitors.

Weaknesses: Although being simple and basic can have its advantages, it can also lead to a lack of strong brand loyalty. Brand switching may occur easily as customers can find similar styles at many other retail stores. Despite their wide product range, Uniqlo's product portfolio is smaller than many of its competitors'. This combined with their low product turnover rate limits choices for consumers and further promotes brand switching. Although Uniqlo is well-known globally, there is still a lack of recognition in North America due to the limited brand presence, which will negatively impact Uniqlo's sales as they first enter Vancouver.

Opportunities: The continuous advancing technology allows Uniqlo to utilize online shopping as a new distribution channel that is able to reach a larger target market. Similar to the development of HeatTech, Uniqlo can also utilize technological advancement for further product development opportunities. Celebrity endorsement is also becoming an extremely popular marketing strategy that raises brand recognition at a rapid pace, which is helpful for Uniqlo's entry into a new market. Merging global trends and high demand for low price clothing will also help Uniqlo establish its brand in the Vancouver market.

Threats: Unpredictable changes in fashion trends may cause Uniqlo's products to go out-of-style, therefore it is important for Uniqlo to constantly be aware of trends and adjust their products accordingly. In addition, the weakening Canadian dollar combined with the increasing minimum wages in British Columbia may threaten Uniqlo's survival and profits in Vancouver. Lastly, the different government regulations in Canada compared to other countries may present threats to Uniqlo's operations and strategies.

Sources: All researched items in the SWOT diagram are from the Uniqlo website or business news articles. Personal blogs were avoided due to subjectivity and reliability issues.

Recommendations

Marketing of HeatTech products

Due to Uniqlo's global presence, many people in Vancouver will likely recognize the brand. Therefore, as Uniqlo enters the Vancouver market, it is not necessary for the business to focus on marketing strategies to gain awareness of their brand. Instead, it is recommended for Uniqlo to place an emphasis on marketing their unique brand, HeatTech. Vancouver is most famous for its rainy weather throughout fall, winter and even spring. Due to this, many consumers will be intrigued by Uniqlo's HeatTech innerware, which retains heat and helps people stay dry and warm. By utilizing HeatTech as its unique selling point, Uniqlo will be able to differentiate itself from competitors such as Zara, H&M and Gap and attract more customers who may have otherwise chosen to shop at a more familiar clothing store instead.

Employee motivation and guest experience

The existence of well-established competitors is one of the largest threats that Uniqlo will face upon its entry into Vancouver. Most of Uniqlo's direct competitors are businesses who hire minimum wage workers in order to cut labor costs. The side effect of this action is an unmotivated workforce, which often leads to low quality customer service and reduced customer satisfaction. Since Uniqlo's products are very similar to many of these firms, it can differentiate itself in terms of customer experience. It is therefore recommended for Uniqlo to focus on training employees to deliver exceptional in-store customer service in order to improve customer loyalty and Uniqlo's brand image. In addition, training improves employee motivation and therefore leads to decreased labor turnover rates, which helps Uniqlo reduce its labor costs. It is therefore strongly advised for Uniqlo to focus on training employees to improve guest experience, as it will satisfy both internal and external stakeholders of the business.

References

- ⁱ Parker, O. P. (2016). Behind Uniqlo's ambitious plans for its Canadian arrival. Retrieved September 15, 2016, from <http://www.theglobeandmail.com/life/fashion-and-beauty/fashion/uniqlo-in-toronto/article31914801/>
- ⁱⁱ Chu, J. (2012, June 18). Cheap, Chic, And Made For All: How Uniqlo Plans To Take Over Casual Fashion. Retrieved September 15, 2016, from <https://www.fastcompany.com/1839302/cheap-chic-and-made-all-how-uniqlo-plans-take-over-casual-fashion>
- ⁱⁱⁱ Chu, J. (2012, June 18). Cheap, Chic, And Made For All: How Uniqlo Plans To Take Over Casual Fashion. Retrieved September 15, 2016, from <https://www.fastcompany.com/1839302/cheap-chic-and-made-all-how-uniqlo-plans-take-over-casual-fashion>
- ^{iv} Schlossberg, M. (2016, January 08). One of the most dominate global retailers is foundering in America. Retrieved September 15, 2016, from <http://www.businessinsider.com/uniqlos-disappointing-united-states-sales-2016-1>
- ^v Uniquely positioned. (2010, June 24). Retrieved September 15, 2016, from <http://www.economist.com/node/16436304>
- ^{vi} Shaw, H. (2016, June 15). Uniqlo takes slow and 'smart' approach to Canadian expansion: 'Simple apparel with a not-so-simple purpose' Retrieved September 16, 2016, from <http://business.financialpost.com/news/retail-marketing/uniqlo-takes-slow-and-smart-approach-to-canadian-expansion-simple-apparel-with-a-not-so-simple-purpose>
- ^{vii} UNIQLO Business Model. (2016, March 26). Retrieved September 16, 2016, from <http://www.fastretailing.com/eng/group/strategy/uniqlobusiness.html>
- ^{viii} Hollis, N. (2015, February 25). Store experience and innovation power Uniqlo's success. Retrieved September 16, 2016, from <http://www.millwardbrown.com/global-navigation/blogs/post/mb-blog/2015/02/25/store-experience-and-innovation-power-uniqlo-s-success>
- ^{ix} Roberts, D. (2016, July 1). The story behind Uniqlo's brand strategy, which includes tennis' No. 1 player. Retrieved September 16, 2016, from <http://finance.yahoo.com/news/uniqlo-sports-endorsements-novak-djokovic-adam-scott-kei-nishikori-and-arts-moma-tate-modern-183846005.html>
- ^x Shaw, H. (2016, June 15). Uniqlo takes slow and 'smart' approach to Canadian expansion: 'Simple apparel with a not-so-simple purpose' Retrieved September 16, 2016, from <http://business.financialpost.com/news/retail-marketing/uniqlo-takes-slow-and-smart-approach-to-canadian-expansion-simple-apparel-with-a-not-so-simple-purpose>
- ^{xi} Selling “American-ness”: Japan’s Uniqlo. (2014, April 19). Retrieved September 17, 2016, from <https://tuftshemispheres.org/2014/04/19/selling-american-ness-japans-uniqlo/>
- ^{xii} Kansara, V. A. (2013, April 19). With an Evolutionary Approach, Uniqlo Aims to Create New Category. Retrieved September 15, 2016, from <https://www.businessoffashion.com/articles/intelligence/with-an-evolutionary-approach-uniqlo-aims-to-create-new-category>
- ^{xiii} Quinn, G. (2016, August 19). Canada's inflation rate slows; retail sales post surprise decline. Retrieved September 15, 2016, from <http://www.theglobeandmail.com/report-on-business/economy/canadas-inflation-rate-falls-to-13-in-july-statcan/article31462914/>
- ^{xiv} Shinozaki, K. (2014, April 18). Fast Retailing's biggest threat: Higher labor costs abroad- Nikkei Asian Review. Retrieved September 16, 2016, from <http://asia.nikkei.com/Markets/Tokyo-Market/Fast-Retailing-s-biggest-threat-higher-labor-costs-abroad>
- ^{xv} Regulated business activities . (2016, February 11). Retrieved September 17, 2016, from <http://canadabusiness.ca/eng/page/2844/>