

Internet Potentials for Fashion Business – A Uniqlo Story –

By Kobayashi Minao

The Internet's impact on the fashion business is revolutionary. It is no exaggeration to say that the Internet has the power to change the fashion business structure from its very roots, and this revolution is about to take place in Japan, ahead of other countries. However, when seen from the actual volume of sales, the Japanese online clothing market lags behind the world in reality, far from taking the lead.

According to the latest data, the entire Japanese e-commerce market where consumers buy goods and services over the Internet grew to ¥5.6 trillion in 2005. It is a fast-growing market, where a yearly growth rate of around 25% is taken for granted. Grabbing the largest share of this market, however, were real estate transactions, which accounted for 18.6% of the 2005 total. They were followed by travel (hotel reservations and airline ticket purchases) at 11.7%, automobile sales at 11.6% and entertainment at 7.5%. Clothing and accessories made up a mere 3.2% of the market, at ¥183 billion, behind books and music, pharmaceuticals and health foods. By contrast, the online clothing market in the United States has topped an estimated ¥1 trillion, nearly 10 times the size of the Japanese market. Clearly, Japan is far behind the United States in terms of online clothing sales.

A New Internet-Based Business Model

The merchandise sold online can generally be classified into three categories: (1) selling goods, (2) providing services, and (3) distributing content. Category 1 essentially is an evolution of the mail-order business. Category 2 consists of ticket purchases and hotel reservations primarily in the travel industry. Category 3 involves the distribution of video and music content.

It is due to a remarkable growth in

Category 2 and Category 3 transactions that has enabled e-commerce to transcend the mail-order business and become more than a tool for selling goods. This is why the Internet is having such a big impact on the entire industrial structure, the media business included.

Selling clothing online is typically a Category 1 business, with the Internet simply replacing the pages of a mail-order catalog. Even before the advent of the Internet, the mail-order market in the United States was said to be five times larger than that in Japan, and so, it is inevitable that the size of the US Internet clothing market is also large. Therefore, Japanese retailers can look forward to further growth in e-business by substituting the Internet for mail-order catalogs and setting up online shopping malls.

What is noteworthy about Japan is the emergence of a new business model that applies cross-media techniques. While clothes sold with orders placed on mobile phones have been rising rapidly, this business model goes beyond the use of mobile phones as a sales tool. One company distributes fashion magazine-like content, not catalogs, on the Internet for both PC and mobile phone users, and has signed up more than 10 million subscribers. This company holds fashion shows online several times a year, drawing tens of thousands of viewers to one event. Through its online fashion magazine and online fashion shows, the company keeps its readers abreast of trendy fashion goods, tips for wearing, styling, fashion coordination, and popular models. Readers can directly buy clothes displayed on the online magazine or worn by popular models at the fashion shows. This is a brilliant business model, incorporating all the e-commerce characteristics of selling goods, providing services and distributing content, and at the same time

meeting all customer needs about fashion.

Every year in Japan, a huge number of new products in fashion and other industries hit the market, and an equally huge number of products disappear from the market as well. Japanese consumers therefore are extremely keen to learn what new sort of stuff is available out there. When it comes to fashion, the questions that often pop up in a trendy customer's mind are: "What brand is this?" "Is there a story behind the product?" "Where and how much is the product popular?" "Who is the model wearing this clothing?" "Who buys it?"

Japanese consumers are not just buying a piece of merchandise. Shopping is based on information that gives the merchandise people buy an added value. This is why brand business has become so big in Japan. For young Japanese consumers who have grown up constantly flooded with information, a brand name alone is no longer enough. Their fashion sense is so acute that they can make quick shopping decisions on the basis of a complex set of information-based values. With respect to the physical properties of a product, they probably want to know about the design, fabric and silhouette color. On top of that, they look for styling and fashion coordination, and try to find out whether their favorite model has worn the clothes they are choosing and try to find out why these clothes have become trendy.

Seeking to meet the needs of such customers has given birth to an integrated business model of the cross-media type, which so far has proved a success. It is likely that such new business models will continue to grow as customer needs evolve and Internet capabilities further improve. Such business models will surely go on to make a splash in the global market.

Photos: Uniqlo

Online Potentials for Uniqlo

At Uniqlo we have focused on these market potentials of the Internet and set up, in addition to a traditional shopping website, a marketing communication site, Uniqlo Mix (<http://uniqlo.jp/>). This site is not intended to list prices of our products. Instead, it provides massive information that gives additional value to our merchandise, such as tips on fashion coordination and information on quality. Since the launch of Uniqlo Mix, the growth of our online sales has gained further momentum.

I think the strength of Uniqlo, something lacking for many other retailers, is the integration of virtual stores and real stores. So far, the successful model for the conventional online business is strong in that it has no physical stores. Online business took advantage of the sense of scarcity produced from the absence of stores and they gave additional value to their products by providing the kind of information that real stores cannot give. At a physical store, it is not possible to have a business structure that allows customers to buy clothes a popular model is wearing on the digital screen.

On the other hand, there are many things that are possible only at stores. It is only at a store that a consumer can check to see whether the clothing that a popular model was wearing looks good on him or her. It is only at a store that a consumer can physically try on the product found on the Internet. And it is only at a store that a customer can buy clothing and wear it the same day. Stores are also necessary if one wants to



Uniqlo's marketing communication site Uniqlo Mix (<http://uniqlo.jp/>)

observe a product and get advice from a salesclerk.

We at Uniqlo plan to integrate our online business and the operation of our stores. We are determined to see a sharp growth in our business by making the most of our numerous stores. JS

Note:

Data in this article was taken from the 2006 edition of "Analysis of the Current Situation and Forecast on the Future of the Online Shopping Market," published by the Yano Research Institute.

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