

# A World of Fashion

By Takashi Tanaka

Two years ago Japan's apparel industry was riding the crest of prosperity despite a prolonged slump in the textile business. But the boom ended with a marked slowdown in consumer spending. Cold summers and warm winters sent clothing sales sagging, and apparel makers' profits declined.

However, external factors were not the only reason for the recession. Sales slumped also for an internal reason—the failure of apparel makers to deal effectively with changing consumer needs and an accelerating trend toward individualization and diversification. At least for now, high growth appears a thing of the past. With no quick recovery in demand likely, it seems the industry is in for continued hard times.

But World Co. Ltd., Japan's leading apparel maker, is a happy exception to the sorry rule. Capitalized at ¥92 million (\$383,000) and with 1,677 people on its payroll, World earned ¥20.8 billion (\$86.7 million) in current profits and ¥9.7 billion (\$40.4 million) in net profits on sales of ¥115.9 billion (\$483 million) during the business year ended July 1983. Sales were up 12%, year-on-year, and current and net profits surged ahead by 24% and 23% respectively. World is the first firm in the apparel industry to chalk up more than ¥20 billion (\$83 million) in current profits in a single year. Its current profit-sales ratio — 18.0% (up 1.7 points from a year before) — is by far the highest in the industry. This outstanding profit performance has



Hirotohi Hatasaki, president of World Co., Ltd.

enabled the company to maintain an amazing 900% per annum growth in dividends. And continued double-digit increases in both sales and profits are assured for the current year thanks to stable sales of the company's mainstay brands: Cordier (annual sales: ¥42.1 billion (\$175 million)) and Lui Chantant (¥26.7 billion (\$111 million)). Other prom-

ising brands are also continuing their rapid sales growth.

## Determined to win

What is the secret behind World's unmatched growth? One answer lies in the unique personality and business

### Business Performance (1979-1983)

(in million yen)	Sales	Net profits
1979	65,281	5,047
1980	78,002	6,220
1981	90,501	7,597
1982	103,502	7,918
1983	115,919	9,717

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philosophy of Hirotohi Hatasaki, one of the founders of the company and the present president. Hatasaki, born in 1937 of a farming family on Awajishima Island in the Seto Inland Sea, is a feisty man with a penchant for victory—a quality he developed early in his boyhood. Geography seems to be partly responsible. Awajishima Island, situated close to the commercial centers of Kobe and Osaka, is known for its rich crop of successful businessmen. Hatasaki entered the rough and tumble world of business straight out of high school, though his parents wanted him to go on to college. The ambitious Hatasaki was anxious to try his luck in the real world and make his fortune as an entrepreneur.

But those were hard times. Job opportunities were scarce with the nation in the grip of an economic recession. Having failed to get a job with a leading commercial bank, Hatasaki entered Hikari Shokai, a small distributor of women's garments in Kobe. There he made his mark, winning a reputation as the company's best salesman. He played a key role not only in mar-



keting but also in planning and production. However, his aggressive manner and evident success apparently brought him the jealousy and resentment of some of his fellow and senior colleagues. After all, the world of business is also a world of complex human relations.

For Hatasaki, however, this proved to be a blessing in disguise. For one thing, he became intimate friends with Mamoru Koguchi, then Hikari's senior managing director and now World's chairman, who helped him whenever he got too enmeshed in interpersonal disputes. Koguchi's experience as a self-made man—he founded Hikari Shokai with friends after evacuating from Shanghai at the end of World War II—was an invaluable model for the younger Hatasaki. (In Shanghai Koguchi had worked as a rice dealer's apprentice). It was only natural that the two men should come to work closely together, laying the foundation for World's present prosperity.

When he joined Hikari, Hatasaki was already looking far into the future, his plan being to start a business of his own as quickly as possible. He was still 25 when, together with the 35-year-old Koguchi, he founded World in 1959. The initial capital was ¥2 million (\$8,300), of which ¥300,000 (\$1,250) was supplied by Hatasaki. The rest was borrowed. World started with only four staffers, with Koguchi serving as president. But it was Hatasaki who ran the company, though it was not until 1972 that he became president. The company name may have seemed incongruous at that time, yet it was a manifestation of Hatasaki's determination to set up a world enterprise some day.

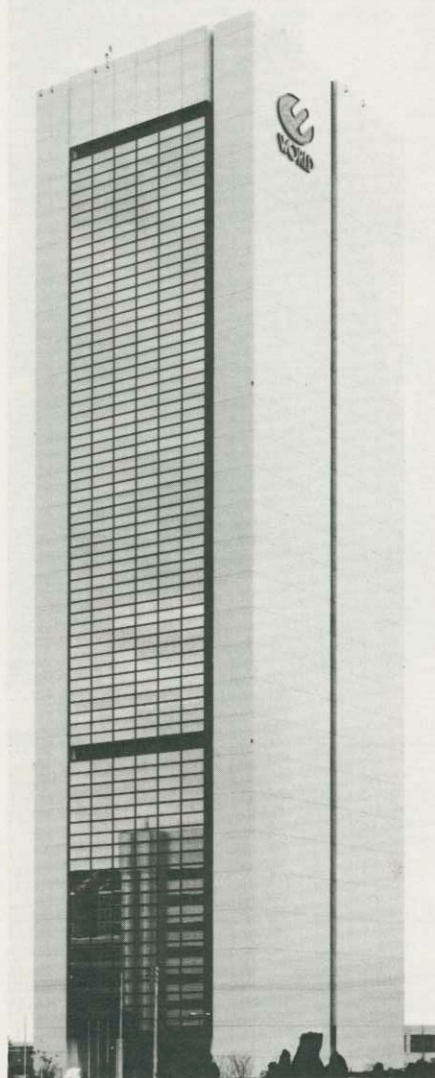
But running an independent business proved to be harder than he had thought. Initially the company had little working capital and practically no credit rating. What kept it going were the dedicated efforts of its founders to win the hearts and minds of as many customers as possible. And, over time, those efforts bore fruit.

Three years after its inception, World's business began to expand rapidly. Its credit position gradually improved, until it had little trouble raising the money it needed. Fortunately, the company's take-off coincided with Japan's rapid economic expansion, a time when women's apparel became increasingly Westernized and fashionable. At the same time, World itself was at a turning point; it was about to transform itself from a traditional wholesaler to a producer of original garments. As an intermediary the company could accept only small profit margins, but as a producer it could supply its own commodities. The change was Hatasaki's strategy for survival in a world of intensifying competition.

### Coordinated fashion

But the key to that strategy, of course, was what kind of products to supply. A clue came during an overseas observation tour Hatasaki made in 1967 as a member of a Japanese study mission to Paris and other European cities. He was not particularly impressed by what he saw at retail shops and fashion shows. But he found the sight of women on the street in colorful clothes and accessories refreshing; it gave him an inspiration that led to the creation of World's "total coordinated fashion."

The idea itself is simple: fashion is balance. Clothes and accessories in the wrong combination, however original they may be separately, is like a poor



World Co. Ltd.'s new Kobe headquarters

flower arrangement. Today, total coordinated fashion has become common sense. It means an integrated combination of everything a woman wears—blouse, jacket, sweater, skirt, scarf, bag, hat, shoes, necklace, and other accessories. Such a combination, of course,



means a balance of *all* the essential attributes of fashion, including color, texture, pattern and design. It is World which played a pioneering role in this field in Japan.

World's coordinated approach to fashion lifted it from obscurity 10 years ago to a preeminent position in today's apparel industry. At that time the firm was

earning only ¥900 million in current profits on sales of ¥8.3 billion (\$34.6 million). Hatasaki himself is modest about his company's rapid expansion, saying that World has only done what it should have done to satisfy consumer needs. World, he says, preempts market demand, with its employees serving as antenna for changing consumer needs and preferences so production can always lead the market.

World's success also stems from its break with Japan's traditional consignment system. Three years after its establishment the company switched to a cash settlement formula, which required retailers to take full delivery of its products, instead of returning unsold goods. At first the new system met with stiff resistance, but Hatasaki persisted. He was convinced consignment sales left both sellers and buyers half-hearted about doing business, and felt sure that a "no returns allowed" cash settlement approach would make both sides more serious, the former about supplying better products and the latter about promoting sales. He was confident that if World supplied original commodities, buyers would be able to sell them all. His preference for cash payment also reflects his business philosophy with its respect for that which is true and genuine.

World expanded its sales by leaps and bounds through a chain of shops which sell only World products. These captive retailers deal in the two mainstay brands—Cordier for mature career and married women, and Lui Chantant for younger women office workers. Cordier outlets number 810 and Lui Chantant shops, 510. The existence of such an extensive, and exclusive, retail chain testifies to the great



confidence World products enjoy among their retailers.

World also operates its own shops—so-called Lisa shops—which serve as outposts for detecting new consumer needs and preferences, which are becoming increasingly diverse and individualized. As such, the 69 Lisa shops in locations across the nation play an important part in the formulation of World's marketing policies. Information gathered through these units on spending trends, popular products, retail shop management know-how and the like is crucially important to World's management strategy.

World celebrated the 25th anniversary of its founding this year with the completion of a new head office in Kobe last month—a high-rise, 27-story building with 4,820 square meters of floor space. Speaking at the inaugural reception, Hatasaki pledged to build a "new World" and make the company an international enterprise both in name and reality. With the fashion industry no exception to the trend toward internationalization, World's strategy now promises to branch out beyond apparel to other fields of living. In fact, the new building has a cafe restaurant and a restaurant bar—evidence that the company is getting into the food service industry as well. This might seem a radical departure from its traditional line of business. But as Hatasaki sees it, everything that changes is fashion. The restaurant industry is no exception.

World is also expanding abroad. It already has marketing footholds in Hong Kong and Paris. A quarter century after its birth, World is planning to live up to its name and cater to the sophisticated needs of women not just in Japan but around the globe.



One of World's Lisa shops