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Strategies for Enhancing Supply Chain Resilience in Enterprises Post-Pandemic: A Case Study of Uniqlo

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Abstract: This article focuses on the resilience of supply chains in the aftermath of the pandemic, using Uniqlo as a case study. It analyzes the operational characteristics of Uniqlo's supply chain system, explores its strengths and challenges, and proposes strategies for Uniqlo to enhance supply chain resilience in the context of the COVID-19 pandemic. The article provides recommendations for further optimizing supply chain management, offering valuable insights for research on supply chain resilience.

Keywords: Supply Chain Resilience; COVID-19 Pandemic; Uniqlo; Supply Chain Management Strategies.

1. Introduction

In the past decade, the stability of supply chains maintaining consistently low prices has been disrupted by various factors, including the impact of the pandemic. Supply chains that once operated smoothly now face significant pressures, with instances of interruptions. Many enterprises struggled to promptly adjust their supply chain status in response to the sudden outbreak of the pandemic. However, over time, businesses have been actively seeking new solutions to restore the resilience of their supply chains.

Uniqlo, a globally renowned international fast-fashion brand, stands among the leaders in the industry. Beyond its keen market insight and unique marketing strategies, its advanced supply chain management model has been a key factor in its success. Under the influence of the pandemic, manufacturing costs in the industry have been steadily increasing. The previous ability to control costs effectively at the supply chain end due to large customer demand has undergone changes, exposing the supply chain to significant pressures and potential disruptions. Nevertheless, Uniqlo's supply chain management strengths and its strategies for emphasizing resilience at various stages have enabled the enterprise to gradually restore a stable supply chain.

2. Literature Review

The impact of the COVID-19 pandemic on the world's supply chains has been unprecedented. Data indicates that nearly 94% of the world's top 1,000 large enterprises experienced supply chain disruptions[1]. The concept of "supply chain resilience" was introduced by scholars in 2003 but only gained attention from various countries in recent years. The major unforeseen events that supply chain resilience addresses are characterized by diverse origins, interconnected effects, unpredictability, and severe consequences [2] .

UNIQLO, established by Japan's Fast Retailing in 1984, operates with a supermarket-style self-service shopping approach, providing customers with desired products at reasonable and trustworthy prices[2]. Since entering China in September 2002, UNIQLO has expanded to over 200 directly operated stores nationwide in just 1.5 years, showcasing rapid development[4]. Despite a temporary decline in UNIQLO's Greater China business due to the pandemic, a resurgence trend has been observed since January 2023. The Chinese market remains a crucial strategic market for Fast Retailing, and continuous store expansion is deemed a significant strategy for UNIQLO's future. Industry experts view UNIQLO China as resilient, capable of precise expansion and insight into consumer preferences.

In summary, supply chain resilience refers to the ability to minimize external influences by leveraging suppliers' information absorption and market adaptation capabilities. It aims to shorten service interruptions and gradually restore supplier performance to normal working conditions in the most economical and rational manner. UNIQLO, as a fast-fashion brand, exemplifies effective supply chain management strategies during the pandemic, showcasing how to enhance resilience after supply chain disruptions.

3. Argument Analysis

3.1. Operational Characteristics of Uniqlo's Supply Chain System

3.1.1. Advantages of Uniqlo's Supply Chain System

Uniqlo's supply chain possesses distinctive advantages. The company emphasizes streamlining supply chain processes to reduce logistics costs and time, leading to the establishment of a unique self-production and self-sales system. By planning production within the company, from raw material supply to issuing production orders to factories, all handled internally, Uniqlo directly supplies retail stores, eliminating intermediate steps from production to sales and creating a cost advantage.

Uniqlo's self-production and self-sales model necessitate a strong information advantage and risk mitigation capabilities in determining order quantities and ensuring raw material supply. Regarding order quantities, Uniqlo invests significantly in building a vast information database, promptly grasping global fashion trends and integrating customer feedback. In terms of raw material supply, Uniqlo places great importance on supplier selection and maintains long-term stable cooperation with suppliers. For example, its strategic collaboration with raw material supplier Toray Industries ensures timely material supply and data sharing,

sustaining the smooth operation of the supply chain.

3.1.2. Disadvantages of Uniqlo's Supply Chain System

Uniqlo's self-production and self-sales model inevitably lead to certain supply chain management challenges. The outsourcing of various aspects, including website operation, IT maintenance, customer service, warehousing, logistics, and delivery, poses challenges in quality control. Outsourcing clothing production introduces difficulties in standardizing product quality among different suppliers, presenting a management challenge for Uniqlo.

Uniqlo's integrated management of stores and warehouses, while preventing high inventory issues for itself, imposes substantial inventory pressure on suppliers. The lack of a well-established data-sharing system poses challenges in communication between Uniqlo and its suppliers, leading to Uniqlo's dominant control over demand orders and product delivery. This creates potential risks and trust crises in the collaboration between supply chain partners.

3.2. Strategies for Enhancing Uniqlo's Supply Chain Resilience in the Pandemic Environment

Under the influence of the pandemic, rising manufacturing costs in the industry compelled Uniqlo to implement multiple price increases. While this helped recover losses from yen depreciation and increased raw material costs, it led to a noticeable decrease in customer traffic, challenging Uniqlo's strategy of controlling costs effectively at the supply chain end through large consumer demand. This behavior has, to a certain extent, impacted Uniqlo's brand image, shaken its brand positioning, leading many loyal customers to decrease their loyalty and opt for more cost-effective trendy clothing.

Despite these challenges, Uniqlo demonstrated resilience during the pandemic. Fast Retailing's fiscal report for 2022 revealed a 7.9% year-on-year increase in sales to ¥23 trillion, a 19.4% surge in operating profit to ¥297.325 billion, and a 60.9% rise in net profit to ¥273.3 billion. Uniqlo's ability to promptly adopt strategies, enhance supply chain resilience, and achieve breakthroughs in a fragile supply chain environment contributed to this success.

To stabilize manufacturing costs and ensure the production of low-cost, high-quality goods, Uniqlo established its first manufacturing plant in Ethiopia amid continuously rising raw material prices in China and Southeast Asia. This move not only saved on labor costs but also provided geographical advantages for direct exports to Europe and the Americas without taxes. Uniqlo expanded its business, producing profitable items such as masks. After pandemic conditions eased, Uniqlo accelerated store expansion, increased offline revenue to offset losses, reintroduced a low-price strategy, and worked to regain customer loyalty, ultimately expanding market share.

In response to the growing pursuit of a quality lifestyle catalyzed by the pandemic, Uniqlo's long-standing customer-centric philosophy became prominent. Despite short-term pricing policies, Uniqlo's product positioning of providing high-quality fashionable clothing received recognition and support from domestic and international users, particularly during the pandemic. Leveraging this advantage, Uniqlo emphasized making digitization a channel for information acquisition and transmission, engaging in deep communication with users, understanding their essential needs, and gaining the trust of consumers in this segment.

Furthermore, Uniqlo's implementation of a digital strategy played a crucial role in achieving counter-current growth. The comprehensive digitization in customer service, communication, e-commerce, supply chain, product planning, efficiency, and effectiveness is expected to lead to overall digital benefits. As digital transformation deepens, the prominence of digital enterprise functions grows, creating a series of new industry value growth points. Through its actions, Uniqlo continually conveys a message to the world: despite the pandemic, Uniqlo will not only continue to play a role in people's lives but also strive to achieve breakthroughs and surpass competitors in the industry.

4. Conclusion

4.1. Optimize Supplier Selection and Monitoring System

To enhance supply chain resilience, Uniqlo should not only improve supply chain operations but also optimize the supplier management system. This involves developing a scientifically structured supplier selection criteria system. The criteria for selecting suitable suppliers should go beyond traditional rigid indicators, considering factors aligned with strategic development goals and social responsibility. Supplier management optimization goes beyond supplier selection; it also involves addressing issues related to supplier supervision. Uniqlo could establish an index system for monitoring the quality management of subcontracted factories, overseeing both the working environment and soft conditions like workers' social security contributions. This optimization can improve the supplier segment of the supply chain, enhance resilience, and promote the smooth development of the supply chain.

4.2. Flexibly Apply Delay Strategy

In the production phase, adopting a flexible delay strategy involves refraining from premature procurement and preparation until precise customer demands and purchase intentions are obtained. Instead, production should strictly align with the time of receiving demand orders, ensuring the production of the required quantity and quality of products. By enhancing the flexibility of the supply chain in a cost-effective manner, Uniqlo can gradually reduce costs, increase profits, and improve customer service levels.

To implement the delay strategy effectively, Uniqlo's mature and extensive database should be shared with long-term partners like the raw material supplier Toray Industries. Establishing a mechanism for joint replenishment can help quickly and accurately determine product demand after receiving customer requirements. Communication with raw material suppliers should be immediate, enabling them to deliver supplies rapidly, ensuring market availability. By facilitating information exchange between stakeholders, Uniqlo can reduce supplier replenishment pressure, avoid potential inventory risks, and prevent trust crises in the supply chain.

4.3. Summary

In the midst of the pandemic's impact on global supply chains, Uniqlo has demonstrated counter-current growth. Its commitment to customer-centricity, the philosophy of creating high-quality fashionable clothing, and the strategy of digital transformation have been indispensable drivers for enhancing supply chain resilience. To further optimize supply

chain management, Uniqlo should establish a robust supplier selection and monitoring system and implement a flexible delay strategy. These steps will contribute to increased supply chain resilience, fostering the profound development of the company.

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