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BEST OF NEW YORK

FEATURE

## Uniqlo

**Seemingly out of nowhere, their cheap, skinny rainbow-colored basics became a kind of New York uniform. Just how did the Japanese discount brand become the hottest retailer in the city?**

By Bryant Urstadt



**K**armand Ahmed starts folding at eight o'clock in the morning. He works on the mezzanine of the three-floor Uniqlo flagship store in Soho, just north of Spring Street on Broadway. If the Uniqlo store were a ship of the line—and, at 37,000 square feet, it kind

of is—the mezzanine would be the poop deck, the most important part of the vessel, from which all can be surveyed.

With its 22-foot-tall LED banners and a wall of merchandise equally high, it's the showpiece of a store built to overwhelm with a sense of ordered abundance.

Ahmed is not the captain. He is a division adviser, one of the roughly 180 workers who man the decks during the day, folding and selling. He mostly folds, and he does so for eight hours a day, but that's not enough to keep up with the customers, who often grab not just a pair of jeans but stacks of them. If he could somehow finish folding, he would be surrounded by three complete walls of denim, in 33 styles and dozens of colors, including ten shades of blue. But the customers keep buying, and there are always holes to fill.

"It's a lot of work, every day," says Ahmed as he begins his shift. "The customers, they start waiting outside at 9:30 in the morning. A lot of people from the other stores shop here before they go to work."

At five o'clock on this Friday morning, a tractor-trailer dropped off 500 boxes of new clothes. The denim is folded one way for shipping, and Ahmed must take each item out and fold it another way for presentation. The inseam is folded over and tucked in, and the legs are folded up twice lengthwise so that the denim has enough bulk to easily display the label on the leg. And then the jeans must be shifted and tweaked until they form perfect stacks all the way to the ceiling. Ahmed is nowhere near done, and in less than two hours the customers will start to flood through the glass doors in front, often at a rate of about one every two seconds.

**A**n Italian tourist popped into Uniqlo the other week and bought so many \$89.50 cashmere sweaters, in so many colors, he could hardly carry them. Even the floor manager was surprised, though by now she should be used to the appetites of the Uniqlo shopper. There is a local banker type who buys his socks, underwear, and T-shirts there by the case, and comes back for more every month. He has obviously found that buying Uniqlo is more convenient than doing laundry.

There are 950 Uniqlo stores worldwide, and all but 136 are located in Japan, where Uniqlo has had a retail presence since the eighties. But over the last five years, the company has been opening new stores in cities like London, Paris, and Moscow every few months. (Shanghai's Uniqlo opens this week.) Since the recession, most global apparel companies have posted stagnant sales figures (or worse), but Uniqlo's low-cost basics have allowed its parent company, Fast Retailing, to announce astounding numbers. In 2009, during one of the worst periods in the history of retailing, Uniqlo reported over \$7 billion in sales of more than 400 million items. Existing-store sales were up by more than 30 percent.

Uniqlo's Soho store opened in November 2006 as the company's largest. About 24,000 customers visit on a typical Saturday. One day, it sold more than 2,000 of a single style of fleece jackets. The Soho store is often the highest-grossing Uniqlo store worldwide and the company's only American presence, but that will change soon. Last month, in addition to reporting a net-income rise of another 55.7 percent, Uniqlo confirmed that it had signed a \$300 million, fifteen-year lease to build a second American store at 666 Fifth Avenue. It is the largest retail lease ever signed in New York.

The Fifth Avenue store will take the place of Brooks Brothers, which occupied space on the ground floor until last year, and then expand upward, converting two stories of former office space into sales floors. It's an unusual arrangement, but necessary to give Uniqlo the 90,000 square feet of space it was looking for. (It will be almost the size of the nearby Abercrombie & Fitch, H&M, and NBA stores combined.)

**Faith Hope Consolo, a broker and retail specialist at Prudential Douglas Elliman**, expects Uniqlo sales to triple those of the Soho location. "The average in the area is \$5,000 to \$6,000 in sales per square foot," she says. That would add up to about \$450 million in annual sales, from one store, selling \$19.50 dress shirts.



On a typical Saturday, Uniqlo's Soho flagship serves about 24,000 customers.  
(Photo: Jeff Chien-Hsing Liao for New York Magazine)

Tadashi Yanai, the founder and owner of Uniqlo, is the richest man in Japan, worth over \$9 billion. He has spoken openly about his ambition to surpass Spain's Inditex, which owns Zara, as the world's largest clothing retailer. To that end, Yanai is currently building a Uniqlo University in Tokyo, where he hopes to train 1,500 new store managers a year, who will fan out across the globe. He has discussed expanding by merger, and nearly succeeded in buying Barneys in 2007. Last year, he talked about buying the Gap.

Yanai was in town recently to accept the International Retailer of the Year award from the National Retail Federation, which was holding its annual convention at the Javits Center. He was much in demand that day, mostly from the Japanese press. "He is like Warren Buffett in Japan," says Shin Odake, Uniqlo USA's COO. "He is on television all the time."

While teams of Japanese cameramen waited, Yanai met with me in a windowless press room. He wore thick glasses and had shaved his graying hair close, and he couldn't have been more than five-foot-five. Speaking with a translator, he promised more U.S. stores "as soon as possible," in San Francisco and L.A., and again in New York. When I asked Yanai about his aim to overtake Zara, which grossed about \$11 billion in sales last year, he nodded and said, "Yes. By 2020, we'd like to be making \$50 billion in sales, \$10 billion in operating profit."

Though announcing domination plans is commonplace for "visionary" CEOs, industry watchers aren't particularly skeptical.

"Yeah," says equity analyst Dairo Murata, who is based in Japan and follows the retail industry for the bank Credit Suisse. "It's realistic. We're in the Uniqlo era."

**U**niqlo is a company that prescribes, records, and analyzes every activity undertaken by every employee, from Ahmed's folding technique to the way advisers return charge cards to customers (Japanese style, with two hands and full eye contact). To some extent, management science is an element of all international companies, but Uniqlo's obsession is more like a turbocharged version of *kaizen*, the Japanese concept that translates roughly as the continuous search for perfection. (*Kaizen* is often invoked in business schools when describing Toyota, though less so recently.) Uniqlo has a relatively flat power structure and encourages employees to suggest ideas for improving productivity. Experimentation, however, must go through the proper channels. There is a poster in every Uniqlo manager's office outlining the "Ten Accountabilities." No. 8 reads, "As a store manager, always follow company direction. Do not work in your own way."

Each morning at nine o'clock, employees at the Soho store practice working the Uniqlo Way, doing what they call "The Behaviors," or the ways in which they are taught to interact with shoppers. General manager Kristi Brink oversees the meetings. Before arriving at Uniqlo, Brink had managed at Home Depot and the Sports Authority. "All companies have rules and guidebooks," she says. "But Uniqlo is on another level entirely. There's just a sense of urgency about everything in this place."

This morning, 30 "advisers" (as Uniqlo calls its employees who help customers) stand at the bottom of the stairs leading to the lower floor, with notebooks open and pens poised. Each is instructed to carry a notebook at all times, and to write down everything any manager tells them. A manager named Jose Campos begins the meeting by riling the crowd up with challenges, exhorting them to keep the New York Uniqlo store No. 1 in the company ("Paris, No. 2, is moving up, getting close!"); to move as many units per transaction as possible ("If it's raining, offer them an umbrella"); and to keep "shrinkage," or theft, to a minimum, by making sure customers know they are present.

Within the company, Uniqlo is unusually transparent, informing every employee exactly how much business the store does on any given day, and in each department, down to the number of jeans sold. A four-foot-long chart of sales figures is posted in the employee break room. Campos announces that yesterday, sales were up 70 percent over what they were last year on that same day. (Uniqlo wouldn't share sales figures, but a good day can easily top \$200,000.)

"Okay," says Campos, "let's turn to our partners and go through the six standard phrases."

Every day, at every Uniqlo worldwide, customer advisers repeat what are known as “the six standard phrases,” which they are expected to use while on the floor. The advisers pair off, and repeat after Campos:

“Thank you for waiting.”

“Did you find everything you were looking for?”

“Good-bye, we hope to see you again soon.”



Uniqlo founder Tadashi Yanai, above, is worth over \$9 billion. “He is like Warren Buffett in Japan,” says Uniqlo USA COO Shin Odake.

(Photo: Sarah McGee (Wall); Tomohiro Ohsumi/Bloomberg via Getty Images (Yanai))

Each customer is expected to hear at least four of these phrases (of course, with the advisers’ own names) as they go about their shopping excursion. The second and fifth are repeated because they are required at two points—on the floor, and at checkout.

After this warm-up, the advisers put away their notebooks and break off to their floors, giving themselves a round of applause.

At 9:45, the music starts, piped in via a company called Activaire, which also services the stores in the U.K. and France. They offer a “global music palette” meant to be familiar, optimistic, and vaguely international.

At ten o’clock, the doors open, and customers begin their assault. As for Ahmed, he has yet to catch up, and already shoppers are pulling pairs of jeans down in bunches and heading up to the fitting room. He keeps folding.

**T**o many Japanese, Uniqlo’s success abroad is a bit of a puzzle. Most of the Japanese stores are small shops in malls or roadside outlets. The brand reached a peak there

around 2000, when its ubiquity started to become an object of derision. “They were unisex, suburban, and everywhere,” says Murata. “In the early 2000s, when the fleece was hot, they sold 26 million of them in one year. Japan’s population is only 120 million. People started calling them ‘Unibore.’”

Uniqlo made its first attempts to expand abroad in 2001, opening 21 stores in England and, later, three in the U.S. The majority of the English stores were small storefronts in the suburbs, and the three American stores opened in malls in New Jersey. Within five years, Uniqlo had shut many of them down, including all three in New Jersey. “They just did not work,” says Shin Otake.

Yanai, though clearly obsessed with control, is also a deeply pragmatic manager, and fascinated by failure. (His autobiography is called *One Win, Nine Losses*.) In 2005, he announced a reversal of strategy for international expansion: The suburban stores in Japan would stay, but growth abroad would be focused in splashy stores in the major cities of each continent. Yanai hired a creative team to rebrand the company abroad, including Kashiwa Sato of Samurai, Masamichi Katayama of Wonderwall, and Mark Kiersztan of MP Creative. The relaunch of Uniqlo would start with the New York store.

Uniqlo works quickly, and the transformation was surprisingly fast. “In a normal company,” says Otake, “you would spend a lot of time and money investigating how it would all work.” But Uniqlo designed and built the Soho store in about eight months, with 150 workers working twelve-hour shifts, seven days a week. Unlike many retail flagships, the store is purposely non-referential. It’s not Hollister’s fantasy version of California, or Ralph Lauren’s fantasy of Waspworlds anywhere. “Uniqlo is the brand that happens in a nonexisting space,” says Kiersztan. “It’s a white box, always on a white background. It’s not a lifestyle brand.” The drama of the store, therefore, would come from the overwhelming sense of plenitude.

While he was working on the design, Katayama focused his thoughts by making a poster from a photo he had found of a store in London that had covered a five-story building with raincoats. And Uniqlo’s Soho store is a surprisingly literal extrapolation of that poster: The store is wallpapered with thousands of Uniqlo items stacked floor to ceiling, arranged in a rainbow of colors. “A lot of it is a bit of an illusion,” says Kiersztan. “When you think of stacking up cashmere sweaters, maybe you have 65 colors, but you make it look like you have a thousand by repeating stacks. Or when you walk in, there’s the glass display—we call it the ‘fish tank’—with 36 spinning dummies, to give the consumer the feeling that there’s a lot to be found.” When store managers noticed that the towers of jeans sagged at the top, cardboard-backed dummies were inserted on the highest rows.

Soon after the Soho store opened, management noticed a blip in the sales statistics that prompted another midcourse correction: The styles of clothes Uniqlo had designed for America—an approximation of the Gap, with a looser, relaxed-in-the-middle fit—weren’t selling. Uniqlo doesn’t do market research, so instead they started to ship over smaller, Japanese sizes, and when those items started moving, they resized the American orders. Uniqlo had stumbled on an underserved market: the urban basics shopper.

You can’t walk into the Gap, or even the newly hipsterized J.Crew, and find yourself a wide selection of skinny jeans. This is because, with the notable exception of American Apparel, most American retailers have designed their small, medium, and large sizes to approximate the physiques (and tastes) of the general American population. Most of these customers do not want their basics fitted. What Uniqlo discovered, however, is that

there are a lot of people who do—especially in New York. “People were trying to get that kind of look downtown, but weren’t completely satisfied,” says Mark-Evan Blackman, chair of the Menswear Design Department at F.I.T. “That customer essentially walked across the street and into Uniqlo clothing.”

Some observers are skeptical that Yanai will be able to expand Uniqlo indefinitely under his urban megastore model. “Giant flagships work for New York and L.A.,” says Janet Kloppenburg, an independent analyst who covers the retail sector. “But there’s no way Uniqlo is going to find 760 places in the U.S. to put stores like that. At some point they’re going to have to get down into the malls.” The question then will be whether Uniqlo’s New York success will have improved the company’s standing with a customer that had rejected it once before.

**U**niqlo is regularly hiring for its Soho store and will soon be staffing up at Fifth Avenue, and so it conducts three group interviews a week. By three o’clock on this Friday, seventeen potential new hires have assembled on the mezzanine. Customer-service manager Jennifer Case takes them up to the training room, where new hires go through a withering orientation. There is a chart on the wall detailing what a new hire should know, when he should know it, and how much time it will take him to learn it. The first skill is the operation of the name badge, which should be mastered in five minutes. (Wear it always.) The checklist proceeds through fixture adjustment, bagger training, and opening procedures. There is a television for showing videos about the behaviors and folding technique.

All new employees, even experienced ones, require training. Colleen Fagan is a “visual manager” who worked at smaller boutiques before coming to Uniqlo. Although she has spent years presenting clothes, she says, “I pretty much learned everything over when I got here.”

Take folding, which Uniqlo treats as if it were a scholarly discipline, with specific rules, best practices, and mandated times for completion. Employees at most retail stores fold with the assistance of a plastic board, but Uniqlo employees are taught the “body fold” technique and are expected to fold six shirts in one minute. The staff is told to practice this on their own, after work, until they get it right.

They are tested regularly.

**A poster in every manager’s office reads, “ALWAYS FOLLOW COMPANY DIRECTION. DO NOT WORK IN YOUR OWN WAY.”**

Cashing out is a timed art at Uniqlo, too; advisers must complete every transaction in less than 60 seconds. The other week after work, Lauren Venatucci, a manager in the women’s department, ran a cash-out contest. Advisers competed to ring up clothes while properly deploying the six standard phrases. The prize was an iPod, and the winner clocked in at 40 seconds.

“You had to smile too,” says Venatucci. “We tell advisers that you have to smile until you feel like you’re crazy.”

Back in the training room, Jennifer Case leads the prospects through a quick first look, then chooses eight for the next round. Brink then spends just a few minutes interviewing each one.

“You don’t need much,” she says later. “You can just tell by how they’re sitting, how they respond.”

Many of the prospects are from the visual arts. One long-haired applicant studied Uniqlo in art school. Another studied graphic design for two years. A third is a photographer and wants to be a creative director on fashion shoots. She currently works for American Apparel.

“How’s that going?” asks Brink.

“Not great. My manager turned 21 five days before I did.”

The next applicant Brink speaks to works at Hollister. The following one at Strawberry. They are all a bit obsessed with Uniqlo. After the interviewees have filed out, Case confides, “We’re getting a ton of people from the Gap, Forever 21, and Hollister.”

**U**niqlo is hardly the only foreign clothes retailer to crack New York. Within a few hundred feet of the Uniqlo store on Broadway there are three distinct storefronts for Sweden’s H&M, as well as the Spanish retailers Zara, Mango, and Desigual, and the English brands Topshop and AllSaints (scheduled to open this month). All of these brands sell what analysts call “mass fashion.” Built on nearly instantaneous supply chains, the stores deliver the look of the moment, often stolen right off the runway, and for pennies on the dollar. A manager at the Broadway Zara, for instance, can let headquarters know that customers want military-themed peasant blouses, and in fifteen days they will be in the store. The average Zara customer doesn’t expect to wear what she buys more than about ten times.

Uniqlo customers expect to wear their clothes until they wear out. In that sense, the company is in the same business as deep discounters like Old Navy. “They’re in the basics business,” says Mickey Drexler, who ran the Gap in its heyday and has steered J.Crew through a strong five years since taking it over. “And they do it much better than anyone else can. I know Tadashi, and I watched him openly set out to learn from American companies. Now, Uniqlo has a great piece of real estate, and they’re the best sellers of cheap, well-made goods around.”

Despite its low price tags, however, Uniqlo doesn’t fall neatly into the category of deep discounter. Like the mass-fashion brands, it delivers a low-cost product that shares qualities of high-end retail. “Uniqlo is a bit of a different animal,” says Luca Solca, who covers retail for Bernstein Research. “And what’s different about Uniqlo is that they have chosen fabric, rather than fashion, as the area where they want to excel.”

Uniqlo has sixteen *takumi*, or textile “masters,” on staff, none with less than twenty years’ experience. They specialize in areas like dyeing or sewing, and work with more than 70 factories, mostly in China. A typical order will be around a million units of denim, fleece, or cashmere—often all the material the supplier makes. The company further increases its buying power by offering a smaller selection of fabrics, across a more limited selection of clothes styles, than most other retailers.

Uniqlo disguises the limited variety of products it makes by offering them in almost every color imaginable. There are, for instance, 80 colors of polo shirts currently available on the floor. Most of those colors don’t move very quickly—of the dozens of

colors of cashmere sweaters available in the New York store last winter, the top sellers were black and white—but the wide spectrum serves as a helpful deception. (The same is true with T-shirts: Uniqlo currently has over a hundred different T-shirt designs for sale in Soho.)

“We have much fewer styles,” says Odake, “especially when you compare us with companies like H&M or Topshop or Zara. That’s the secret of why we can get better quality. We try to consolidate the fabric buys as much as possible. H&M sales are bigger, but we have bigger orders. We take huge quantities, and we have negotiation power.”

Uniqlo’s premium jean, for example, is made in Japan of selvedge denim, a weave that uses a continuous thread and leaves a red end on the swatch. (It’s mostly a geek thing, but connoisseurs like to show off selvedge denim by turning up their cuffs.) Uniqlo sources its selvedge from Kaihara, a 100-year-old mill in Hiroshima that makes denim for over a dozen retailers, including Levi’s, Gap, and J.Crew, as well as specialty brands like Citizens of Humanity and 7 for All Mankind. There is currently a pair of selvedge Levi’s made for J.Crew selling for \$150. Gap’s selvedge jean is \$88. Uniqlo’s is \$59.50.

Perhaps Uniqlo’s biggest seller last winter was their Heattech line of long underwear, which they developed in partnership with Toray Industries, a chemicals company in Japan. The tops and bottoms start at \$10.50, and they have sold more than 40 million of them. Uniqlo approached Heattech as an industrial undertaking, says Odake. The company contracted Toray to design a new fabric, using milk proteins for softness and building in air pockets with star-shaped fabric strands to retain warmth. Uniqlo reserved a Toray factory for a year and sold so many units that Toray built another factory.

Last March, Uniqlo lured the German fashion designer Jil Sander, famous for a minimalist look and a maximalist price point, out of retirement. At first, this appeared to represent a move in the direction of mass fashion, where special collections by celebrity designers are now a mainstay of the business. But Sander’s style has always been about anti-style: Her clothes are studies in high-quality reductionism, and they wear for years. Her first collection for Uniqlo, labeled with the understated moniker +J, included \$50 flat-front khakis, a \$150 trench coat, and \$40 oxford shirts with Sander’s signature small collar. The items were maybe just a bit more styled than mainline Uniqlo, with a custom catch on the pants and slightly better material in the coat, but the most striking aspect of the collaboration was its similarity to the Uniqlo brand. The clothes were plain, well constructed, and cheap.

Uniqlo built a store-within-a-store for the +J collection and installed velvet ropes as a crowd-control measure. Anyone familiar with the circus that surrounded Karl Lagerfeld’s or Stella McCartney’s designs for H&M could have predicted what came next: a line stretching up Broadway to Prince Street, customers waiting 90 minutes to get in. It was an odd—and decidedly, if accidentally, very New York—juxtaposition: a marketing strategy built around anticipation and scarcity executed by a brand known for its limitless supply. After a few weeks, however, it became clear that +J was not meant to be an exercise in exclusivity. Some items sold out, but most were still available 90 days later, when the second collection arrived.

Instead, the +J collection appears to have been a trial run for something larger. “In designing the +J line, I am developing something like the blueprint for the future of Uniqlo’s style,” says Sander. “It is my vision to create uniforms for the future: pure, sophisticated clothes that work like a common language for the global community.” Last month, Uniqlo announced that Sander would be designing for the company indefinitely.

**B**y four o'clock on Friday, a full-scale looting seems under way. There are two empty racks by the front door, one bare hanger swinging alone. Shoppers swarm by a table of pastel denim that has been mixed into a rainbow. A little farther in, Brink and Campos pass another bare rack. It's supposed to be filled with \$19.50 cotton flare vests, a light and loose vest for women, but there is just one left.

"I told you these would blow out," says Brink. "And they blew out."

On the second floor, there are fifteen men waiting in line for the fitting room. Campos pulls over assistant manager Deborah Ulloa and they start shifting thin stacks of vintage-wash oxford shirts around, trying to make the tables look a little fuller. The shirts are regularly \$29.50, but this week they are \$19.50, sitting under a sign that says promotion.

"At this point," says Campos, "this layout is broken."

He radios the stockroom, asking someone in the back to push some shirts onto the floor. Gesturing at a nearby rack, he taps two pairs of white chinos.

"Look at this," he says. "There's nothing here. We need replenishment, but we're not getting it. I need to talk to the guys in the stockroom." He heads through one of the doors behind the cash-wrap.

A gray-haired gentleman stands in the aisle. He has on dark-green corduroys and a blue Barbour jacket. He looks like he should be out shooting quail, but here he is, in the thick of it at Uniqlo. There are lots of gentlemen like him who wander into the store. He has a Uniqlo shopping bag in his hands, and he is trying to fold it.

"Do you want me to take that for you?" asks Ulloa.

"Oh, no," says the man, a bit sheepishly. "I want this bag." He rushes off with his prize.

"We get that all the time," says Ulloa. "Sometimes people come in and just ask for a couple of bags."

Just below, on the mezzanine, Ahmed is still unpacking and refolding jeans. There is now a big open space where the UJ slim-fit straight jeans are supposed to be. He's been folding for eight hours, and he is nowhere near caught up.

