

The Merchandising Strategy of the Japanese Fashion Industry in 21st Century – Focused on the Case Study of Development and Application of New Technique –

Masahiro Sugahara, Ph.D

Takarazuka University of Art and Design, Japan

I. Introduction

Japanese fashion industry had emerged in 1960s. Before this time, there was not any fashion business in this country. The textile industry had only the major business market.

Since 1970s the apparel industry has been learning the merchandising system from USA. In Japan the term of the merchandising was defined as "apparel product planning", a concept of product management in marketing management.

On the other hand, the fashion merchandising in retail buying has been focused in the American fashion industry. Historically, retail industry was much stronger than apparel industry in USA. But the retail industry was much weaker than apparel and textile industries in Japan. What is the reason of the difference in both countries?

I will briefly describe the evolutionary processes of the merchandising strategy in Japanese apparel industry.

1. The first stage: the merchandising of the national brand (NB): 1970s.
2. The second stage: the merchandising of the designer's brand (DB): 1980s.
3. The third stage: the merchandising of the private brand (PB): 1990s.
4. The fourth stage: the merchandising of the international brand (IB): 21st century.

II. The Evolution of the Merchandising Strategy in Japanese Fashion Industry

1. The first stage: the merchandising of national brand (NB): 1970s.

- ① Market cultural environment: mass consumer culture
- ② Competition: domestic market and apparel firms of the same type
- ③ Best practice firm: Renown, Onword, Itokin, World, Sanyo, etc.
- ④ Conceptual model of merchandising: mass marketing, marketing mix, product manager (merchandiser)
- ⑤ System concept: distributio + manufacturing (商 + 工)

2. The second stage: the merchandising of the designer's brand(DB): 1980s.

- ① Market cultural environment: high rich consumer culture and sophisticated consumer
- ② Competition: the imported brand(especially, European brand)
- ③ Best practice firm: Bigi, Nicole, Y's, Issey Miyake, Almani, etc.,
- ④ Conceptual model of merchandising: differential marketing, market segmentation, creative direction, visual merchandising.
- ⑤ System concept: creation + manufacturing + marketing(創+工+商)

3. The third stage: the merchandising of the private brand(PB): 1990s.

- ① Market cultural environment: enjoyable consumer culture, intelligent consumer
- ② Competition: vertical competition between retail, apparel and textile firms.
- ③ Best practice firm: Five Fox, Sanei In-

ternational, Gap, Benneton, etc.

- ④ Conceptual model of merchandising: retail marketing, supply chain management, SPA (Specialty Retailer of Private Lael Apparel)
- ⑤ System concept: retail + creation + supply chain + merchandising(商+創+工+情)

4. The fourth stage: the merchandising of international brand(IB): 21 century.

- ① Market cultural environment: rich tasteful consumer culture and global consumer
- ② Competitio: global competition
- ③ Best practice firm: Beams, United Arrow, First Retailing, Max Mara, Gucci, Plada, DKNY, etc.
- ④ Conceptual model of merchandising: the global marketing, strategic brand management, market-in buyer, integrated marketing, communication, image consulting, relationship marketing
- ⑤ System concept: fashion consumer + retail + creation + supply chain + merchandising (情+商+創+工+情)

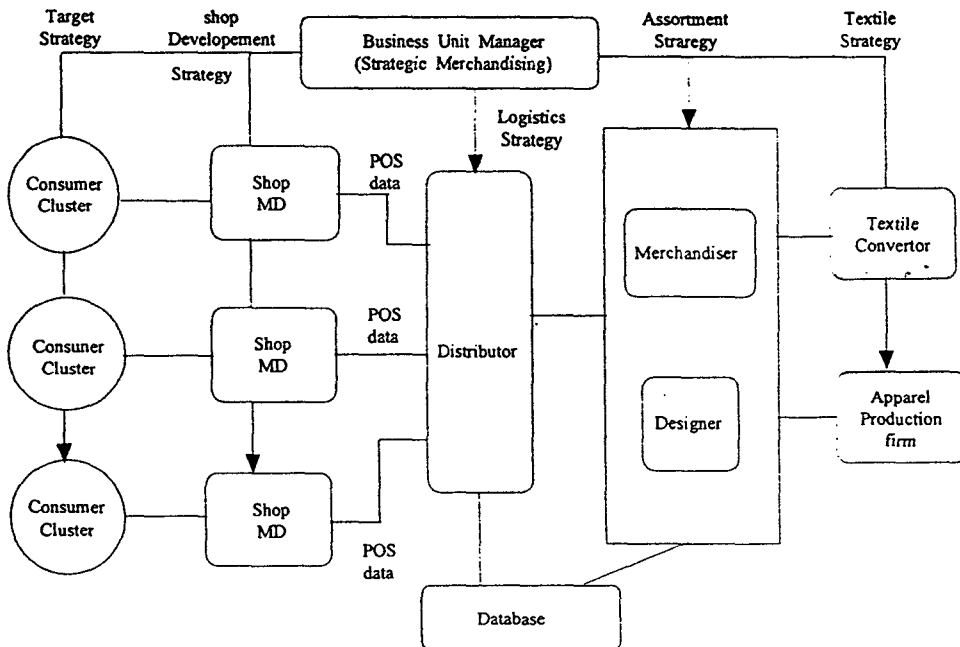
III. Case Study 1: The Merchandising Strategy of the Private Brand Firm

1. The concept of the business model of the private brand

The concept of this business model was introduced in late 1980s from USA. The origin of this concept was The Limited and The GAP. These fashion sepecialty store chains were very speedily growing in the suburban shopping centers.

These store chains have transacted not with apparel manufacturer, but directly with the apparel factory (shop floor). And so in Japan, SPA is called "retailer connected with apparel factory". I define, "SPA business model is retail-oriented vartical marketing system of private brand apparel."

This system includes two subsystems; logistics system and brand management system. Therefore, this system has the competitive power rather than the national brand and designer's brand.



<Fig. 1> The Merchandising System of SPA Business Model.

2. The components of the merchandising system

The components of this system are made of five strategic merchandising factors, as follow in <Fig. 1>.

The core management center of this SPA business model is the business unit manager; he has the whole responsibility of the strategic merchandising.

The five strategic merchandising factors are divided in ① target strategy, ② shop development strategy, ③ logistics strategy, ④ assortment strategy, ⑤ textile strategy.

SPA business model has emphasized the multi-shop operation management, especially, the short cycle time, quick response system. This business model needs the logistics strategy as management infrastructure. This is the different point with the national brand and the designer's brand model..

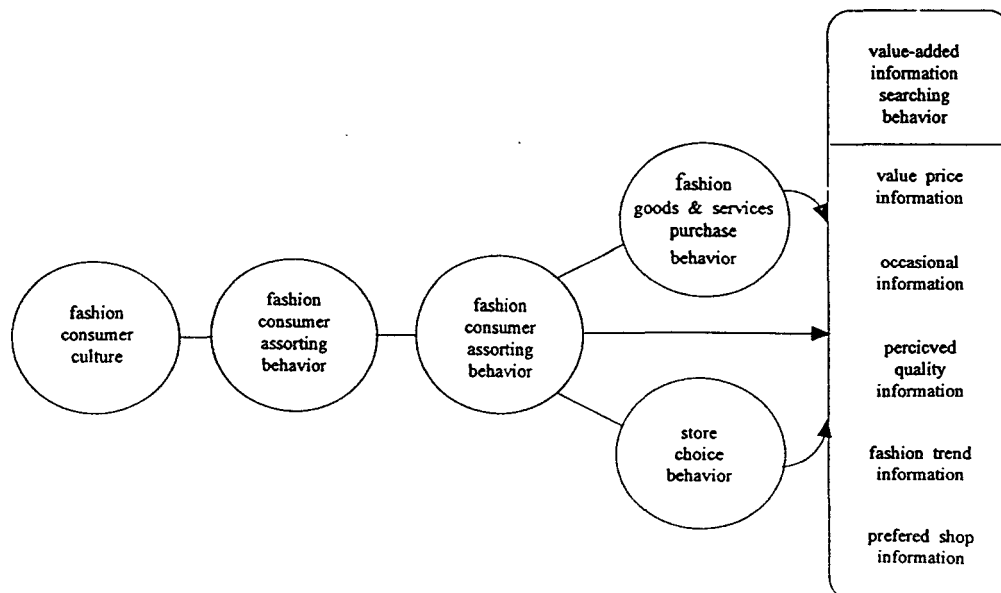
Two big companies, Five Fox and World, are the very successful SPA firms in the Japanese fashion business. These companies have been effectively building and implementing the five strategic merchandising strategies.

IV. Case Study 2: The Merchandising Strategy of the International Brand Firm

The concept of this business model has not been yet built in Japanese fashion business. The main reason is to be few both high tasteful culture and global consumer in Japan. But the 21st century will soon have many global consumers in this country.

The global consumer has the fashion assorting power. <Fig. 2> is the model of fashion consumer assorting behavior.

The fashion consumer assorting behavior is divided in two dimension; the store choice behavior and the fashion goods & service purchase behavior. The goal of these behaviors is to fulfill their own satisfaction. The global consumer searches the following five value-added information; ① value price information, ② occasional (official, private, social) information, ③ percieved quality information, ④ fashion trend information, ⑤ preferred shop information..



<Fig. 2> Fashion & Accessory Consumption Behavior and Market-in Process.

This fourth business model has the four interactive process model.

- ① The interactive process between the fashion on consumer and the retail firm
- ② The interactive process between the retail firm and the creative strategy.
- ③ The interactive process between the creative strategy and the brand supply chain management
- ④ The interactive process between the brand supply chain management and the fashion merchandising

These four interactive processes are market-in process started with the consumer assorting behavior, in contrast with the product-out process started with the textile and apparel product. These interactive process are very important in the international brand marketing. The logistics strategy is not enough.

1. The interactive process between the fashion consumer and the retail firm

<Fig. 3> is the model of the interactive process between the fashion consumer and the retail firm.

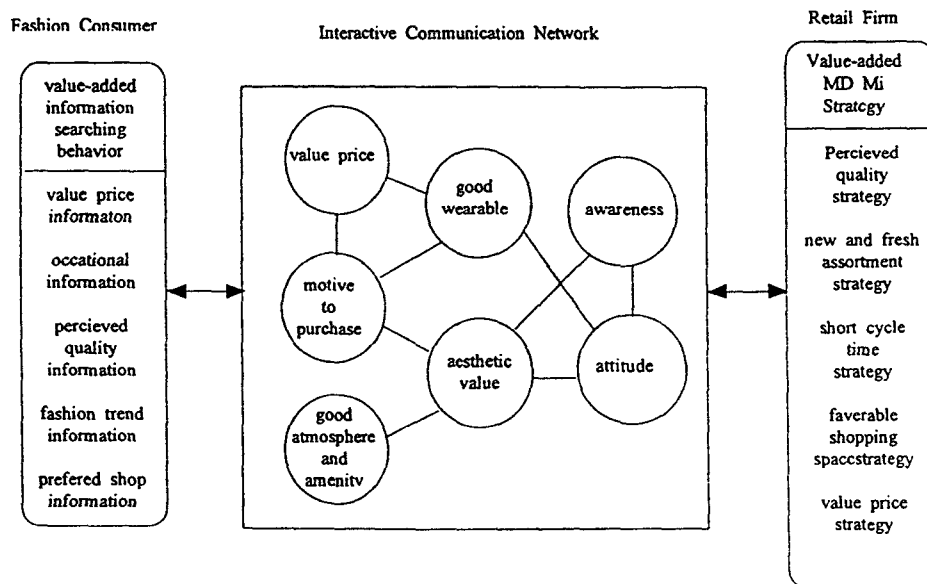
The fashion consumer searches the value-added information which the retail firm offers. The retail firm plans the following five value-added merchandising mix strategies to communicate with the fashion consumer; ① perceived quality strategy, ② new and fresh assortment strategy, ③ short cycle time strategy, ④ favorable shopping space strategy, ⑤ value price strategy.

This communication network system has the six communication factors; awareness, attitude, goodwearable, aesthetic value, value price, motive to purchase, good atmosphere and amenity.

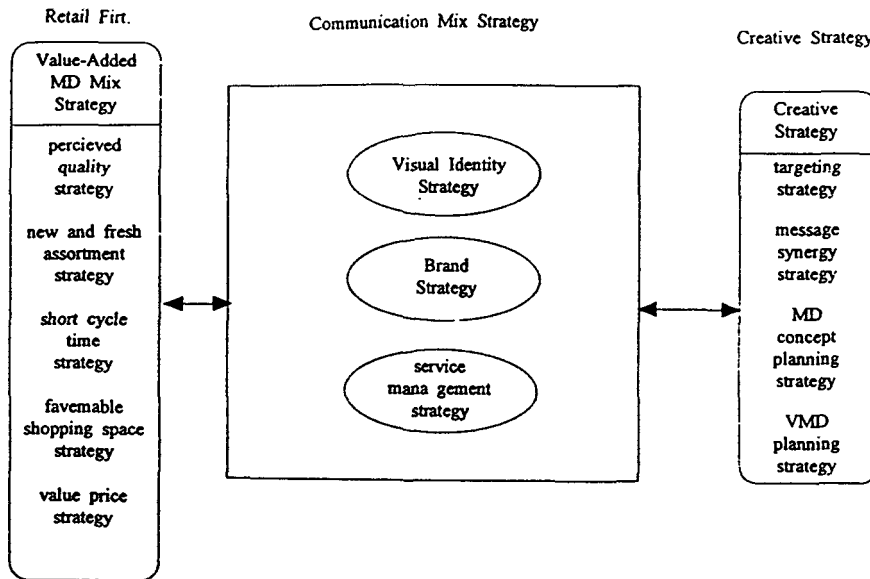
2. The interactive process between the retail firm and the creative strategy

<Fig. 4> is the model of the interactive process between the retail firm and the creative strategy.

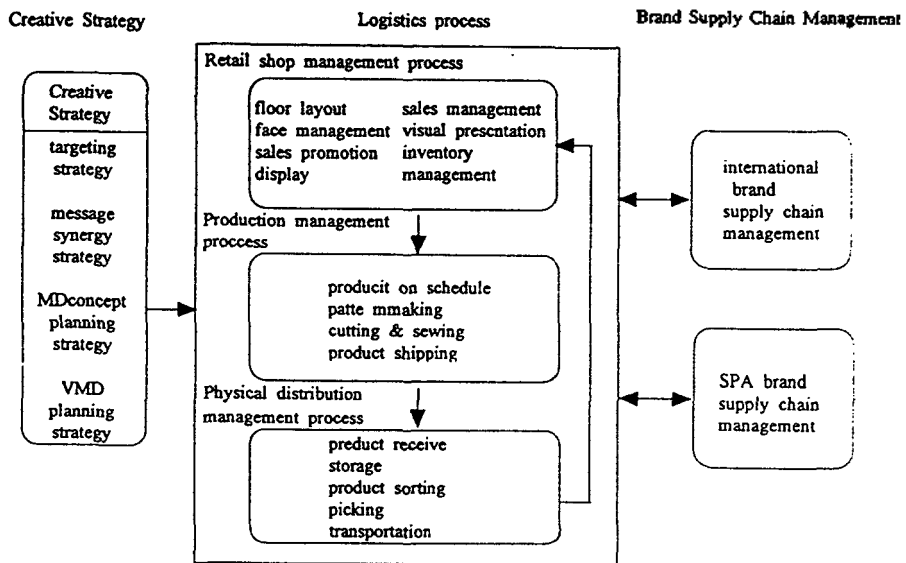
The retail firm needs to interact with creative strategy that the apparel and textile firms plan in order to communicate effectively with the fashion consumer. The creative strategies are divided in the following four factors; ① targeting strategy, ② advertising message synergy strategy, ③ merchandising concept planning strategy, ④ visual merchandising planning strategy.



<Fig. 3> The Interactive Process between Fashion Consumer and Retail Firm.



<Fig. 4> The Interactive Process between Retail Firm and Creative Strategy.



<Fig. 5> The Interactive Process between the Creative Strategy and the Brand Supply Chain Management.

The communication mix strategy has three communication mix strategies; ① visual identity,

② brand strategy, ③ service management strategy.

avorable relationship between the retail firm and the global consumer. This is the different point with SPA brand business model emphasizing the logistics strategy.

The international brand business model emphasizes the communication mix strategy to keep fa-

3. The interactive process between the creative strategy and the brand supply chain management <Fig. 5> is the model of the interactive process between the creative strategy and the brand supply chain management.

The creative strategy need to be supported by each brand supply chain management. This support system has the three logistics system; ① retail shop management process, ② production management system, ③ physical distribution management process.

This business model integrates the brand management and the supply chain management through the interactive process.

4. The interactive porocess between the brand supply chain management and the fashion merchandising

<Fig. 6> is the model of the interactive process between the brand supply chain management and the fashion merchandising. This process is implemented through the brand supply chain management. But before implementation, the system need to operate the planning process by the fashion merchandising. The fashion merchandising process consists of ① shop buyer merchandising, ② central buyer merchandising, ③ apparel mer-

chandising, ④ textile merchandising.

This process is divided in eleven planning function; ① targeting, ② fashion direction, ③ assortnent planning, ④ fashion designing, ⑤ pattern making, ⑥ production planning, ⑦ logi-
stics planning.

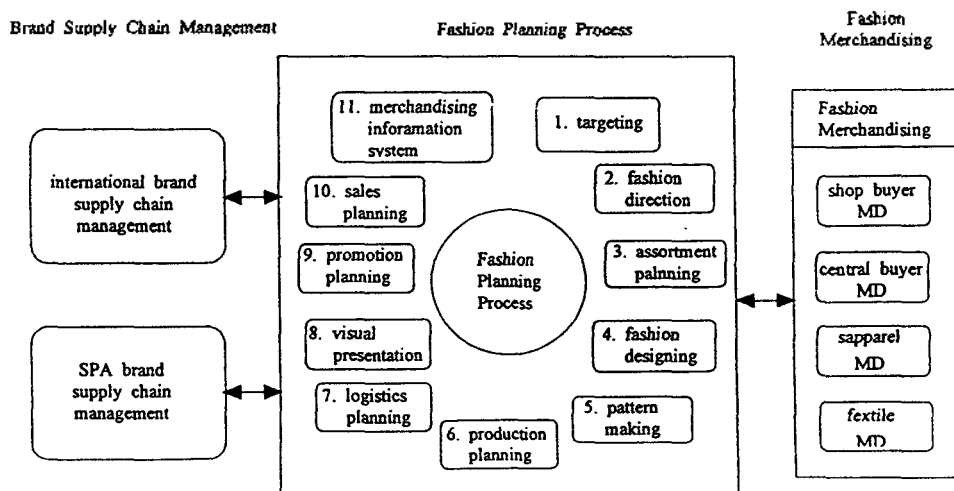
V. Case Study 3: The Strategic Leadership of "Market-in buyer" in the Fashion Merchandising Process

It is the "market-in buyer" that leads the fashion merchandising process..

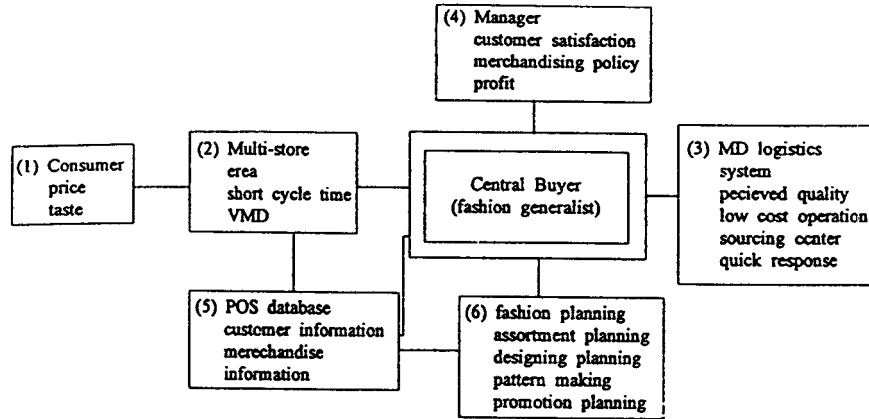
<Fig. 7> represents the market-in buyer's job. This buyer must understand the six external factors; ① consumer, ② multi-store, ③ mer-
chandising logistics system, ④ manager, ⑤ POS system, ⑥ fashion planning.

The central buyer must coordinate the shop buyer, apparel buyer, and textile buyer. Also, this buyer must interate the fashion planning and merchandising logistics system. The market-in buyer system is called "team merchandising" in Japan.

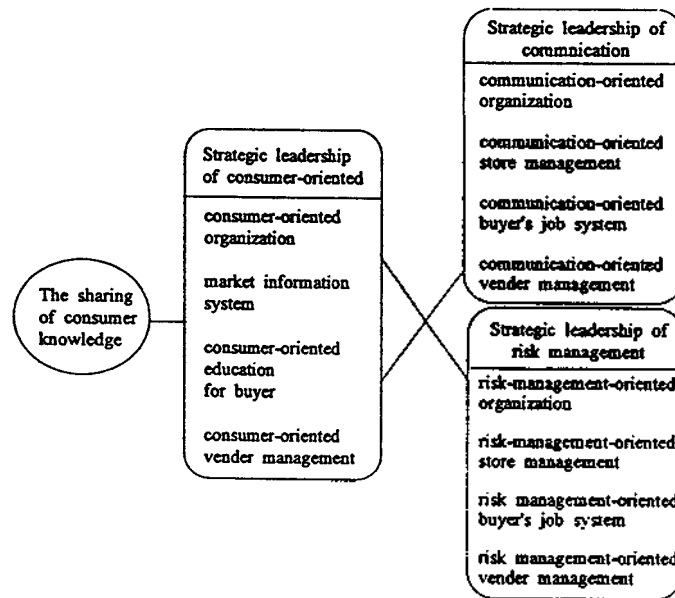
<Fig. 8> describe the business process of market-in buyer. This process is contrasted with product-out business process. The market-in buyer



<Fig. 6> The Interactive Process between Brand Supply Chain Management and Fashion Merchandising



<Fig. 7> Market-in Buyer's Job.



<Fig. 8> The Business Process of market-in Buyer.

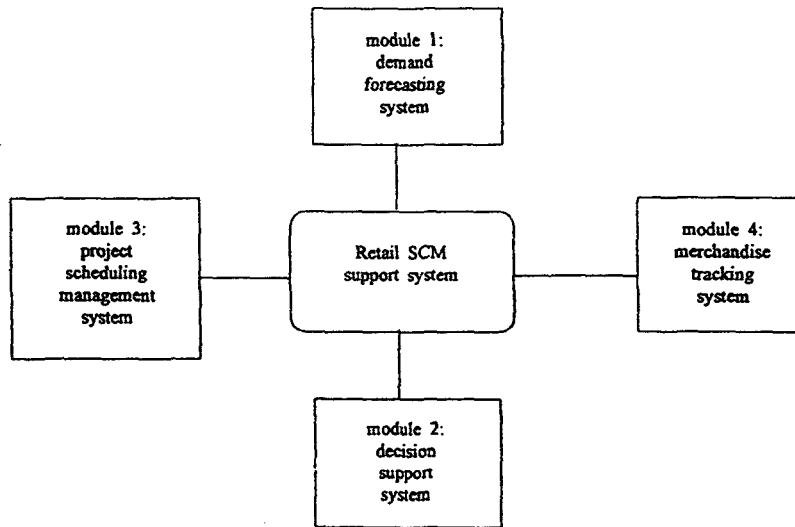
starts with the consumer knowledge. But, the product-out manager starts with the vender's merchandise. The business processes of market-in buyer are composed of the four factors; (1) the sharing of consumer knowledge, (2) strategic leadership of consumer-oriented, (3) strategic leadership of communication, (4) strategic leadership of risk management-oriented.

VI. Case Study 4 : The Extended Enterprise and SCM Support System

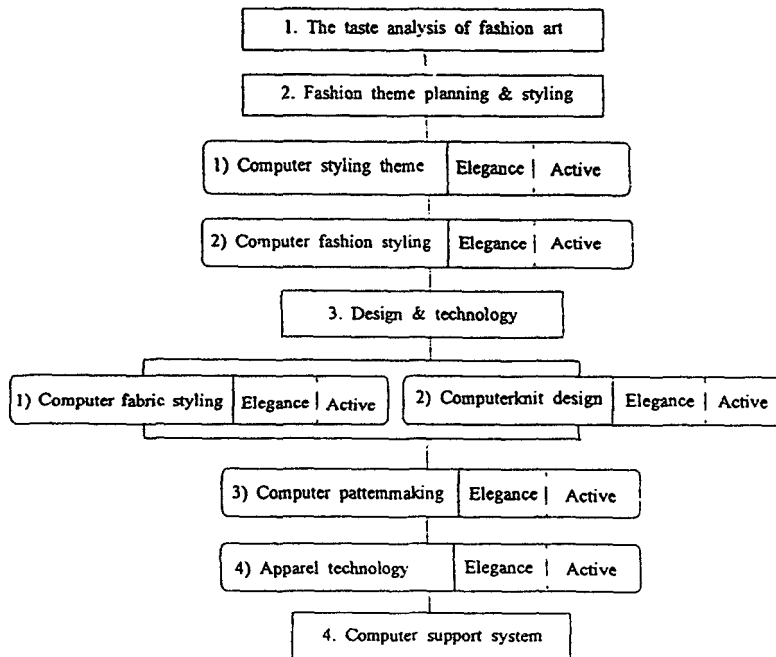
"First Retailing" in Japan is now very speedily growing. This company is the specialty store chain of the young casual wear and has now 350 stores. Top management has emphasized the retail-oriented SCM (Supply Chain Mnagement). The SCM strategy of this company was to set

both the lowest price and the high quality. In order to execute these objectives, this company has organized the chain network of the apparel factories and textile manufacturers.

First Retailing expects not the own profit, but all over the profit of total supply chain. The company of these type is called "virtual corporation" or "extended enterprise".



<Fig. 9> Retail SCM Support System.



<Fig. 10> Fashion Integrated Styling and Engineering Process.

The extended enterprise has built the information support system. For example, these companies has heavily invested in information technology; SCM, POS system, electronic data interchange, electronic commerce, data warehouse, etc.

<Fig. 9> is the model of SCM support system. This system has the four module; ① demand forecasting system, ② decision support system, ③ project scheduling management system, ④ merchandise tracking system. The softwares of these support system are already packaged.

VII. Case Study 5: Computer Integrated Fashion Design System

Until now, the styling and engineering process of fabric apparel and knitting apparel have been separated. But the wardrobe of fashion consumer is coordinated with the fabric apparel and knitting apparel. Therefore, we must integrate the styling and engineering process in order to satisfy the wardrobe needs of the fashion consumer.

<Fig. 10> is the integrated computer model of the fabric apparel and knitting apparel.

This system has four steps; ① the taste analysis of fashion art, ② fashion theme planning & styling, ③ design & technology, ④ computer support system. Each steps of styling and engineering integrate the fabric apparel and knitting apparel through the computer digital network.

VIII. Conclusion

The processes of Japanese fashion business had been established by the human skill and the analog system until 1980s. But Ian Gordon says, "Technology is digitizing the marketing mix in so doing, it gives the customer virtually infinite choices." In the 21st century, Japanese fashion business will have to transform the business model from the analog system to the digital system. In order to prompt and succeed the transformation, I think, Japanese fashion business research association will have to study the methodology of the knowledge management and the organizational learning and the digitization of the global fashion merchandising strategies.