

Analysis of MUJI's Development Strategy in China under the Background of Consumption Downgrade

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Abstract. In the current economic environment, Chinese consumers tend to pursue products with higher cost-effectiveness, and the phenomenon of consumption downgrading is significant. This article focuses on the development strategy of MUJI in the Chinese market, aiming to explore the competitive advantages and disadvantages of MUJI in the context of consumer downgrading, and propose corresponding development strategies. The study adopted the SWOT analysis method and focused on the operational data and relevant literature of MUJI in the Chinese market. By analyzing its strengths, weaknesses, opportunities, and threats, the study aims to gain a deeper understanding of MUJI's current development status and challenges in the Chinese market. The research data mainly comes from MUJI's financial reports, data from the National Bureau of Statistics, and relevant market research reports, aiming to provide targeted development recommendations for MUJI to adapt to the changes and challenges in the Chinese market. This study found that MUJI should focus on localized design and production, actively engage in digital transformation, strengthen brand value, and increase experiential retail to adapt to the trend of consumer downgrading, in order to achieve sustainable development in the Chinese market.

Keywords: consumption downgrade, strategy analysis, MUJI

1. Introduction

In the current economic environment, Chinese consumers are increasingly focusing on the cost-effectiveness of goods, and the trend of consumption downgrading is becoming increasingly evident. As a well-known Japanese home and lifestyle brand, MUJI has rapidly risen in the Chinese market. However, with the continuous emergence of MUJI substitutes in China, MUJI will face greater challenges in the Chinese market. Since the entry of MUJI into the Chinese market, there have been many case studies focusing on MUJI, mainly focusing on the brand building and minimalist concept of MUJI. A small number of articles have also studied the current development status, problems, and competitive strategies of MUJI. This article will analyze the current situation of MUJI in China, focusing on exploring its competitive advantages and disadvantages in the context of consumer downgrading, as well as the competitive strategies that should be adopted in the face of the emergence of a large number of domestic substitutes. This study will help reveal the changing trends in consumer behavior and how brands can innovate and adjust while maintaining their core values. This not only provides guidance for individual consumer decision-making, but also offers strategic recommendations for businesses on how to better meet consumer needs, enhance brand image, and market competitiveness. At the same time, this article provides an empirical basis for future researchers on related topics to study consumer trends and brand strategies. Based on this, they can further explore consumer behavior under different consumption backgrounds, or study the adaptability and effectiveness of brand strategies in different market environments.

2. Literature Review

Shen Jian's research pointed out that MUJI's "no brand concept" focuses on producing high-quality products that meet consumer needs [1]. Liang Xiao believes that the brand philosophy of MUJI is to pursue natural simplicity and product performance [2]. Chen Yuhong's MUJI brand encourages consumers to actively perceive and interpret its brand through word-of-mouth communication among consumers. In terms of brand image building, MUJI focuses on the long term and stimulates consumers' new awareness of life through the "Good Product Plan", pursuing new lifestyles rather than short-term brand effects [3]. In her 2015 research, Zhang Jie mentioned that MUJI has built a virtual design community online to encourage global customers to

participate in new product design and development, enhancing their sense of participation and freedom of choice [4]. Xu Baiying compared MUJI and NetEase Yanxuan, exploring how companies can enhance competitiveness and product quality through interactive orientation and consumer co-creation of value [5]. Zhuang Tingting believes that at present, MUJI has legal and policy support in the Chinese market, while facing good opportunities for consumer upgrading and technological development. However, there is also fierce competition from competitors [6]. This paper mainly explores how MUJI should correctly face the challenges brought by consumer downgrading from the perspective of competition and threats faced by MUJI.

3. Development Status of MUJI Products

3.1. Overview of MUJI's Development in China

MUJI entered the Chinese market in 2005 and opened its first store at Shanghai Zhengda Plaza in July of the same year, offering over 2400 types of products. From 10 stores in 2005 to 200 by the end of 2016, the number of stores in the Chinese market has exceeded half of its global total, second only to the Japanese market. According to the financial report of MUJI's parent company, MUJI's sales in China achieved rapid growth from 2014 to 2016, with growth rates of 14.3%, 14.5%, and 45.7%, respectively.

However, the development pace of MUJI in China has slowed down since 2016, with sales growth dropping from 45.7% to below 5%. In the first quarter of the 2019 fiscal year, MUJI's operating profit in the Chinese market decreased by 4.2% year-on-year, achieving revenue of 75 billion yen, and same store sales decreased by 2.1% compared to the previous year. At present, MUJI's development strategy in China is still mainly focused on expanding the number of stores. In May and June 2024, it opened 7 and 10 new stores in China, covering multiple cities such as Shanghai, Beijing, Wuhan, Hefei, and Dongguan, demonstrating the brand's accelerating expansion in the Chinese market. As of February 2024, MUJI has reached 375 stores in China, second only to Japan, making it the largest overseas market in China.

3.2. Development Issues of MUJI in China

Overall, MUJI's current development strategy in China is positive, responding to changes and challenges in the Chinese market by increasing the number of stores, promoting digital transformation, strengthening localized design and production, and exploring new retail formats. However, there are still some unresolved issues in the development process, the first of which is the issue of positioning and pricing. MUJI's positioning in the Chinese market has always been relatively high-end, and its product prices are higher compared to those in Japan and similar competitors. This has led many consumers to believe that its cost-effectiveness is not high, resulting in a phenomenon of "just browsing without buying". Despite multiple price reductions by MUJI in China, consumers' sensitivity to its prices remains high, and the price reduction strategy has not fully regained its market position.

At the same time, with the rise of local Chinese brands such as Miniso, they quickly occupy the market with lower prices and similar design styles, posing huge competitive pressure on MUJI. These local brands have a better understanding of the needs and preferences of Chinese consumers and are able to quickly respond to market changes.

At the same time, MUJI is also facing the challenge of digital transformation. In the rapidly developing Chinese market of digitalization and e-commerce, MUJI needs to strengthen its online channel construction and digital marketing capabilities, further promote the development of its instant retail business, expand the coverage of its retail business, and adapt to consumers' shopping habits and market trends. Due to the difference between Muji's Japanese Zen culture and China's open and inclusive culture, it is difficult for the brand to resonate with the new generation of consumers, especially in the context of the rise of China-Chic brand, Muji's localization efforts in the Chinese market are insufficient, and the size and applicability of the products do not meet the needs of Chinese consumers, which makes it difficult for the brand to compete with local brands in the sinking market.

4. SWOT Analysis of MUJI Products

According to data from the National Bureau of Statistics, in the first half of 2024, the total retail sales of consumer goods increased by 3.7% year-on-year, a decrease of 4.5 percentage points from the same period last year. The growth rate of consumption has slowed down, and the trend of consumption downgrade is more obvious. Consumers have become more cautious in spending money and are also seeking products with higher cost-effectiveness, known as the rise of "flat replacement consumption". Consumers are no longer willing to pay for inflated brand premiums. Against the backdrop of consumer downgrading, MUJI should re-examine its strengths and weaknesses to adapt to the changing consumer attitudes in China.

4.1. Advantages of MUJI Products

MUJI is known for its simple, natural, and basic lifestyle, providing high-quality and practical products that are attractive to consumers who pursue cost-effectiveness. As a grocery brand, its product range is diverse and practical, with a wide audience.

MUJI's products have excellent quality, and the brand advocates environmental protection concepts and recycled materials, which are in line with the current trend of sustainable development.

MUJI's unique product design has won numerous international design awards, which has established a good reputation for its design and quality. At the same time, MUJI's stores are neat and clean, and the unique store environment can attract more consumers.

4.2. Disadvantages of MUJI Products

MUJI pursues high-quality and affordable products, but this can only be achieved domestically in Japan. In most countries, MUJI's stores are mostly located in downtown shopping malls, so prices are about twice as high as those in Japan. Compared to similar products from other brands, the price of its products may appear higher and not suitable for all consumer groups, especially in the context of consumer downgrading. Price sensitive consumers may choose more economical brands.

MUJI's products have a relatively simple color scheme, with most daily necessities, clothing, and other items being dominated by solid colors and lacking personalized design, which may not meet the needs of various consumers.

Due to the lack of logos on MUJI products, it is easy for many counterfeit or imitation products to appear in the market, making it difficult for customers to clearly distinguish the authenticity of the goods and leading to counterfeiting and confusion.

There are too many product lines of MUJI, and it is difficult to grasp the details. Taking MUJI's acrylic series products as an example, these products are loved by consumers for their simple design and high transparency material. However, the acrylic material is prone to wear and needs to avoid high-intensity light exposure, otherwise, it is prone to yellowing and can easily form missing corners or cracks in bumps, which directly affects the durability of the products and the user experience.

The design of MUJI products sometimes neglects the user experience. For example, although the design of MUJI's toothbrush is beautiful, the bristles may be too hard and the user's comfort level may not be fully considered.

4.3. Opportunities for MUJI Products

MUJI emphasizes a simple and environmentally friendly concept, which leads people to pursue a simple and plain lifestyle, in line with the environmental protection ideas of energy conservation and emission reduction advocated today. With the increasing awareness of environmental protection and sustainable development among Chinese consumers, MUJI's environmental concepts and practices may attract more attention.

The rise of digital transformation and instant retail has provided MUJI with new sales channels and faster service methods to adapt to the shopping habits of Chinese consumers. MUJI should accelerate its digital transformation process to provide consumers with more convenient online purchasing and delivery services

4.4. Threats of MUJI Products

At present, the competition in China's furniture and grocery market is fierce, and brands such as IKEA have already occupied a certain market share in China. At the same time, local brands such as Miniso also offer similar products at lower prices. Therefore, MUJI is facing significant market competition pressure and needs to constantly adjust its marketing strategies to face market competition

Although economic globalization has greatly improved productivity, the global economy is still sluggish, which has certain limitations on the further cross-border development of MUJI. At the same time, the trend of consumer downgrading in the Chinese market may lead consumers to prefer products with high cost-effectiveness, posing a challenge to MUJI's high-end positioning.

MUJI's marketing investment is relatively low because of its lack of brand concept. MUJI's advertising investment has always been low. Due to the limited number of MUJI's advertisements and the lack of spokesperson promotion, the promotional efforts are insufficient. Therefore, even though the target audience for furniture and grocery products is wide, only a small number of people know about MUJI, which also reduces its target audience.

5. Development Suggestions

5.1. Emphasizing Localized Design and Production

MUJI should further implement localized product development in the Chinese market to reduce costs and provide more reasonable prices to consumers. By establishing a product development department in China, MUJI is able to better adapt to the needs of Chinese consumers and market changes, while achieving lower cost product offerings, thereby conducting official price reductions and attracting more price-sensitive consumers.

5.2. Digital Transformation

MUJI should actively expand its digital channels, such as cooperating with instant retail platforms such as Meituan and Ele.me, providing instant delivery services, and opening flagship stores through e-commerce platforms to meet consumers' needs for

convenient shopping experiences. Digital transformation can not only improve efficiency, but also better understand consumer behavior through data analysis, thereby providing more personalized services.

5.3. Strengthening Brand Value and Increasing Cooperation and Co-branding

MUJI should adhere to its existing brand philosophy, emphasizing a simple, natural, and environmentally friendly lifestyle, which is in line with the trend of consumers pursuing practicality, health, and environmental protection in the era of consumer downgrading. By strengthening these brand values, MUJI can attract consumers who seek high cost-effectiveness and a simple lifestyle. Meanwhile, MUJI can collaborate with well-known designers, brands, or virtual characters to launch various joint series of products, enhancing brand image and attractiveness. This strategy can provide consumers with a sense of freshness, while also meeting their needs for spiritual and cultural life, and strengthening consumers' brand identity with MUJI.

5.4. Increasing Experiential Retail

MUJI needs to continuously pay attention to the changing demands of Chinese consumers, consider the background of consumer downgrading, respond quickly, and provide services and products that truly meet consumer needs. For example, further expanding the catering categories of retail stores, such as Cafe&Meal MUJI, providing more experiential services, attracting customers to shop, and enhancing the interaction and connection between brands and consumers.

6. Conclusion

This paper mainly explores the development strategy of MUJI in China under the background of consumption downgrade. Research has found that MUJI faces high price sensitivity and intensified competition from local brands in China, but at the same time, it also has advantages such as high-quality products and environmental protection concepts. The conclusion is that MUJI should focus on localized design and production, actively engage in digital transformation, strengthen brand value, and increase experiential retail to adapt to market changes.

At present, this paper has not delved deeply into consumer behavior analysis, nor has it used quantitative research methods to analyze consumers' specific preferences for MUJI products. Future research can focus on quantitative analysis of consumer behavior and how MUJI can enhance its brand influence through emerging channels such as social media.

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