

Research on Marketing Strategy and Business Operation Mode of FMCG Brands: A Case Study of MUJI

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Abstract: This research examines Mujirushi Ryohin (MUJI), a Japanese brand celebrated for its minimalist and eco-friendly products, founded in 1980. Despite a 10% market share in Japan and 5% in China, MUJI faces challenges like declining market share and competition. The study explores MUJI's growth, pricing strategies including second and third-degree price discrimination, and how it can overcome current adversities. These strategies have allowed MUJI to cater to various consumer segments and optimize revenue. However, they also bring operational complexity and risk of brand dilution. MUJI's strengths include a unique brand style and high-quality products, yet it struggles with marketing adaptability. Opportunities for MUJI include sustainability marketing, product innovation for extreme weather, and digital expansion. Threats include market substitutes and economic downturns. MUJI must continuously innovate and adapt its business model to sustain its competitive edge in the fast-paced FMCG sector, with a strategic focus on sustainability initiatives and digital transformation to effectively meet the evolving consumer demands and preferences.

Keywords: MUJI, marketing strategy, business management, FMCG.

1. Introduction

1.1. Background

“Mujirushi Ryohin” also known as MUJI was founded in Japan in 1980. MUJI offers a wide variety of household consumer items, furniture, clothing, and food products. The company rose to fame by offering eco-friendly, excellent quality, and sustainable products. The products offered by MUJI are functional products with no logo design in them. The company’s innovative use of marketing and communication to reach its consumers can be considered the major contributor to its success. Through its strategies, the clothing brand has become a growing sensation among its competitors. In 2021, MUJI reported revenues of approximately ¥451 billion (\$4.2 billion). As of 2021, MUJI’s market share in the home goods sector in Japan was estimated at around 10%, but in China, this figure was closer to 5% [1].

MUJI focused on the basic needs of the consumers initially. The main focus was on providing affordable, high-quality products to its consumers. The brand rapidly expanded after refining its production process, making itself known throughout Asia. Afterwards, the brand penetrated the market of Europe, and North America by polishing itself. Despite the company’s success, the challenges also keep growing. In recent years the company has had to face declining market share,

increased competition, and changing consumer behaviors driven by economic and environmental factors [2]. These challenges are not only the concerns of the management of the company but also of the stakeholders. The stakeholders continue to question the effectiveness of the business model in the fast-moving consumer goods (FMCG) sector. The aim of this research is to analyze MUJI's business operation model, product pricing, and the similar challenges it faces in its sector.

1.2. Research Questions

- a) How did MUJI develop rapidly expand at the beginning and maintain a good development trend?
- b) Why is MUJI's situation worse in recent years than in the past, and what are the risks in its development?
- c) How to deal with risks and use their strengths to find opportunities in changes
- d) This study addresses these questions to increase the understanding of how brands can adapt themselves while maintaining their unique identity.

2. Significance of the Study

The significance of this study lies in its investigation of MUJI's perspective to maintain its relevancy among various aggressive competitors, in the process satisfying its consumers. MUJI's no-brand strategy provides various lessons for the FMCG sector. The company emphasizes offering products of high quality while also balancing simplicity and sustainability [3]. While many FMCG brands focus on aggressive marketing and branding, MUJI's approach has been the opposite, relying on product quality and minimalist design to drive sales [4]. Furthermore, various limitations have been noticed that need to be considered by MUJI to retain its current position in the market. The study will provide an analysis of pricing strategies also encapsulating the possible threats, challenges, and weaknesses of MUJI. These analyses will help the management of MUJI to develop strategies that will help it gain significant advantages over its competitors while also rectifying the current strategies. The significance of this study is that the insights and findings gathered will prove to be valuable for companies such as MUJI. Similarly, this research will develop the foundations for other researchers and scholars, gathering information on the fast-moving consumer goods (FMCG) sector.

2.1. Pricing Strategy

MUJI has opted for various forms of price discrimination keeping in mind the changing needs of the consumers to maintain itself as a reckoning force in the global market. Price discrimination can be defined as a pricing strategy that offers variable prices to customers for the same product [5]. The prices are labeled differently for different groups of consumers based on their demand and ability to pay. The goal of this approach is to maximize profitability by increasing revenue.

2.1.1. Second-degree price Discrimination

Second-degree discrimination can be defined as a situation when a seller changes the price depending on the quantity purchased by the consumer. The sellers generally provide the customer with various attractive incentives and discounts to encourage them to spend. The company provides discounts on bulk purchases, which encourages consumers to buy more items for a lower price. This matches the spectrum of the company's motto as it aims to reduce waste.

2.1.2. Third-degree Price Discrimination

Third-degree price discrimination is when a seller charges different prices for different consumer groups based on a specific attribute. To accommodate for the varying purchasing power of different

countries, MUJI changes its pricing strategies similarly. For example: MUJI charges its products higher in wealthier markets like Japan and Europe while altering prices in emerging markets like Southeast Asia to accommodate affordability for the consumers of different regions.

2.1.3. Intertemporal Price Discrimination

Intertemporal price discrimination provides a method for firms to separate consumer groups based on willingness to pay. The firms using this strategy charge higher prices at first, then lower prices after time passes. MUJI also indulges in intertemporal pricing strategies as the company provides various discounts on off-season or older product lines while maintaining higher prices for exclusive releases and peak shopping seasons. Seasonal sales, for example, help MUJI clear out old inventory while maintaining a premium price for its latest products [6].

2.2. Advantages: Applications and Benefits for MUJI

The company greatly benefits from the use of the pricing discrimination strategy. The advantages have helped the brand to engage with the consumers, maximize revenues, and differentiate itself from competitors.

2.2.1. Customer Segmentation

Through the use of third-degree price discrimination, MUJI charges different prices to different geographic regions. In wealthier markets, the higher price points reinforce MUJI's positioning as a premium brand, while in emerging markets, lower prices allow it to compete with local, lower-cost alternatives [7]. This price discrimination strategy has helped to maximize profits for the company as well as expand itself globally.

2.2.2. Increased Sales Volume

Similarly, Second-degree price discrimination helps to increase the overall sales revenue of the company. By offering discounts on large purchases, MUJI can appeal to cost-conscious consumers who are willing to spend more upfront to save on per-unit costs [8]. Inventory management can be done efficiently while also allocating the products in larger quantities.

2.2.3. Inventory Management and Revenue Optimization

Intertemporal price discrimination allows MUJI to alter its prices based on the demand of the market. During off-peak seasons, for instance, MUJI can attract price-sensitive customers through discounts, while maintaining premium pricing during high-demand periods [9]. The company protects its profitability through the help of this strategy. The approach provides an optimal solution for MUJI to remain profitable throughout the year, even with the possible volatile demands

2.2.4. Sustainability Alignment

The company focuses on preserving the environment through its pricing strategies. One of the missions of the company is to encourage bulk purchases and discounts to reduce waste. This helps in the promotion of a sustainable consumption model. This approach has helped MUJI differentiate itself from competitors who may offer similar products but do not emphasize eco-friendly practices as strongly [1].

2.3. Limitations: Disadvantages and Costs

With tempting benefits, the pricing strategies also have limitations and costs that impact the brand's development. The limitations can be given as below:

2.3.1. High Operational Complexity

The resources and funds that need to be mobilized for the implementation of price discriminations are high. Significant market research supply chain coordination, and logistical planning must be done to effectively apply the strategies. MUJI must constantly monitor market conditions to adjust prices appropriately, which increases operational complexity and costs [10]. The regions where there is high economic volatility cause strain for MUJI. The strain arises as the maintenance of the pricing needs to be carefully considered to adjust the prices properly.

2.3.2. Risk of Brand Dilution

The company faces the risk of brand dilution by offering lower prices in different geographical regions. The dilution occurs in the wealthier regions affecting the premium brand image of MUJI. Consumers in developed markets may perceive the brand as less exclusive if they become aware of lower prices offered elsewhere [4]. This issue needs to be carefully countered by MUJI, as the pricing differences are transparent in the globalized world, which may negatively affect the brand's image.

2.3.3. Consumer Backlash During Economic Downturns

During crises in the economy, the demand is shifted towards brands that are minimalistic and offer sustainability. MUJI's higher prices make it vulnerable to losing customers to cheaper alternatives, especially in markets where price sensitivity is high [6]. This problematic limitation emphasizes the challenge of maintaining a premium pricing strategy during economic recessions.

2.3.4. Dependency on Bulk Sales

The overdependency on bulk sales is produced by second-degree price discrimination. Bulk sales help to increase sales, but it is not optimal in regions where the consumers can't make large upfront purchases without the help of credit. In such cases, MUJI's reliance on bulk discounts may limit its appeal to lower-income segments [11].

The benefits and the limitations provide a clear understanding of the position of MUJI in the FMCG market. The pricing strategy has been extremely helpful in global expansion and market differentiation. However, the strategies also come with significant challenges in terms of administrative costs and brand image. MUJI needs to carefully tread in this direction of pricing strategy to gain the consumers' loyalty and trust.

3. SWOT Analysis of MUJI

3.1. Strengths

3.1.1. Unique Brand Style

The unique style of the company has earned it a strong reputation and a loyal customer base. The brand's minimalist design is a practical approach that appeals to consumers seeking products and elegance. This unique style distinguishes MUJI from competitors and reinforces its identity as a brand that prioritizes quality over flash [8]. MUJI's no-logo and no-frills are some of the examples that indicate its unique brand style.

3.1.2. High Reputation and Product Quality

MUJI has excellent goodwill against its competitors. It is well-known for offering products of high quality. The products for various categories including home goods, items, and stationery, are MUJI's well known across the globe. This reputation for quality solidifies the position of MUSI in the FMCG market. Customer loyalty and retention are some of the major positive responses that the company has achieved. MUJI's products are seen as reliable and long-lasting, which supports its sustainability-driven messaging [2].

3.1.3. Offline Stores Still Popular

In this ubiquitous world of digital marketing, MUSI's physical stores are still popular. This shows the trust of the consumers for the company. The stores are designed to reflect the spirit, i.e. the stores promote simplicity and functionality. Despite the inevitability of the rise of technology, MUJI's offline stores continue to attract customers who appreciate the tactile and immersive shopping experience [1].

3.2. Weakness

3.2.1. Brand Positioning Limitations

MUJI's motto limits itself from flexibility when there is crisis. The flexibility needs to be considered deeply as the premium positioning gets affected. If MUJI alters its prices it faces the risk of diluting its brand image and customer churn who associate the brand with high quality. To remain competitive the brand may seek various options to differentiate itself from lower-priced brands. MUJI has to face these challenges which drives it into a narrow position between maintaining brand integrity and adapting to market conditions. Lowering prices could erode the perceived value of the brand while keeping prices high could push customers toward cheaper substitutes [12].

3.2.2. Limited Adaptability in Marketing

The commitment of the brand to a minimalist philosophy restricts itself from other liberating marketing strategies that other FMCG companies use. This particularly affects the company's ability to extend its reach to a broader audience. Newer generation audiences expect more advertising of the products for them to pique their interest in it. Other companies use digital marketing and social media to efficiently and effectively advertise their products with limited use of human resources. This restraint can be a weakness in highly competitive or digitally driven markets where strong marketing campaigns are essential to standing out [13].

3.3. Opportunities

3.3.1. Sustainability as a Marketing and Cost-Reduction Strategy

As the concerns for the environment have started to increase, it aligns well with MUJI's core values of practices. Consumers seek products that do not harm the environment. MUJI can capitalize on this trend and is in a great position. With the help of simple packaging that supports environmental protection, MUJI can attract more customers. Similarly, the company can cut off various costs while promoting sustainability as a powerful marketing tool. Leveraging its commitment to sustainability could attract new customers who prioritize environmentally responsible consumption [10].

3.3.2. Product Innovation for Extreme Weather

The extreme change in weather provides MUJI with an opportunity to develop new products that offer the customer their needs. MUJI can design products that have strong durability to adapt to extreme changes in weather. The resistant goods can prove to be helpful and a revolution to the traditional market products offered by MUJI. The goods produced for the volatile weather create unique offerings that stand out from competitors and reinforce its reputation as a forward-thinking, eco-conscious brand [14].

3.3.3. Digital Transformation and E-commerce Expansion

With the rapid development of technology, it provides MUJI with various opportunities. MUJI can directly engage itself with the public to provide and enhance its online presence. Customers who prefer to serve online can be served while also providing them with a custom personalization experience. MUJI can invest in digital infrastructure, such as virtual reality that provides options for virtual product try-ons [15]. Similarly, the company can develop user-friendly apps, official websites, and augmented reality tools that are popular among the younger generation. This can help gain a competitive advantage over other similar companies. Furthermore, strengthening its e-commerce capabilities would allow MUJI to expand its reach to consumers in regions where it lacks a physical presence, broadening its customer base and improving overall accessibility [7].

3.4. Threats

3.4.1. Substitutes

Many companies offer the same deals such as MUJI. Similar companies offer similar minimalist products at lower prices creating competition on price and quantity. Competitors like IKEA, Nitori, and local retailers provide options that are tempting to consumers who seek affordability without a care for the brand and its reputation. This saturation of substitute products threatens MUJI's ability to maintain its market share, particularly in price-sensitive regions [9].

3.4.2. Economic Downturn

During the economic cycle, the downturn that occurs causes MUJI to face the challenge of rising costs. The go-to solution for this is to increase its selling prices but this creates the risk of customer alienation. Raising prices in a recessionary economy can drive customers to cheaper alternatives because of their limited earnings and diminished ability to purchase premium products. The customer churn risk is the threat that MUJI needs to carefully tread as the cost of retaining a customer is lower than acquiring a new one. Similarly, it is severe for MUJI as it presents itself as a premium, minimalist brand. Price-sensitive customers may opt for more affordable alternatives, further eroding MUJI's customer base [1].

3.4.3. Environmental Issues and Supply Chain Disruptions

Risks such as environmental challenges cannot be mitigated through simple measures. Pollution, extreme weather, and climate change pose significant risks to MUJI's operations. As a company advocating for ethical production and sustainability, disruptions in the supply chain can abrupt the company's cash flow. The effects can increase costs and affect product affordability and availability for both the company and the consumer. The products cannot be sourced or manufactured sustainably if there is a problem in the supply chain. These cause the drain of the consumers from the brand

resulting in loss for MUJI. This could undermine MUJI's brand image as an eco-conscious retailer [4].

The SWOT analysis of MUJI provides valuable insights that reveal there are various challenges that the company faces while there are also ventures that help the company to grow in the long run. By expanding and innovating itself MUJI can continue to make itself a dominant and reckoning force in the FMCG market. By leveraging these opportunities, MUJI can reinforce its brand as a leader in minimalism, sustainability, and quality while adapting to the changing needs of consumers.

4. Conclusion

MUJI, a globally recognized brand for its minimalist, no-brand philosophy and commitment to sustainability, has faced significant challenges in recent years. These challenges include increased competition from lower-priced substitutes, economic downturns that have affected consumer spending, and environmental disruptions that have impacted its supply chain. Despite these obstacles, MUJI's unique brand positioning, high product quality, and dedication to sustainable practices have kept it relevant in a highly competitive FMCG market.

The research explored the factors that contributed to MUJI's rapid growth and expansion, including its innovative pricing strategies such as second-degree and third-degree price discrimination. These strategies allowed MUJI to cater to different market segments globally while maintaining a premium image in developed markets and offering affordability in emerging regions. Additionally, MUJI's focus on sustainability and high-quality products has resonated with environmentally conscious consumers, contributing to its early success.

Looking forward, MUJI faces several challenges. These include increased competition from brands offering similar minimalist products at lower prices, the effects of economic downturns on consumer spending, and the impact of environmental disruptions on its production processes. MUJI must address these challenges by continuing to adapt its pricing strategies, strengthening its digital presence, and expanding its product offerings to meet changing consumer needs, such as those related to extreme weather and sustainability.

Opportunities for MUJI include capitalizing on its strong sustainability message by simplifying its packaging, innovating products that meet environmental demands, expanding into emerging markets, and enhancing its e-commerce platform. By leveraging these opportunities, MUJI can not only mitigate the risks it faces but also ensure its continued relevance in a fast-changing global retail landscape.

In conclusion, while MUJI has built a strong foundation through its commitment to sustainability and minimalist design, it must continue to innovate and adapt to maintain its competitive edge. The company's ability to respond to economic pressures, environmental challenges, and evolving consumer preferences will determine its success in the years to come.

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