

HOW I DID IT

THE CHAIRMAN OF RYOHIN KEIKAKU ON CHARTING MUJI'S GLOBAL EXPANSION

by Masaaki Kanai



PHOTOGRAPHY BY JOHN ENOS

When executives at Seiyu, a subsidiary of the Japanese retail company Saison Group, launched Mujirushi Ryohin (Muji) as a proprietary line of housewares, food, and apparel, in 1980, the idea was to manufacture and sell beautiful, inexpensive products—without decoration or excessive design—that every Japanese consumer might need. Indeed, the name Mujirushi Ryohin means “no-brand quality goods.”

In the beginning, the priority was not to grow the business but to realize the concept. However, we were convinced that we would find demand for our no-brand brand—its products and values—beyond Japan.

In the late 1980s we tested the waters: Muji participated in an exhibition of Japanese products in London and sparked a great deal of interest from British retailers. Although Harrods was the first to ask about carrying the line, my predecessors declined, believing that its business culture wasn't a good match. Instead we launched a joint venture with Liberty, a more design-focused UK department store. And that partnership emboldened us. We discovered a new goal: spreading our ethos of good, affordable, sustainable design throughout the world.

Ordinarily, when a company sees evidence of foreign demand for its products, it tries to expand quickly. But we had no emerging competitors at the time, and a lack of experienced personnel and stable corporate systems forced us to be more circumspect. So we started to venture abroad in a careful, deliberate manner.

In 1991, a year after Muji was transferred from Seiyu to the newly formed Ryohin Keikaku, we opened stand-alone stores in London and Hong Kong. But we waited until 1998 to launch elsewhere in Europe and until 2005 to enter mainland China, even though it had emerged years before as the world's most important retail market. In 2007 we opened our first U.S. store.

OUR PRODUCTS ARE LONG-LASTING. WE WANT TO ENSURE THAT OUR STORES ARE TOO.

As a still-small company, we maintain this slow and steady pace in part through our financial discipline: Within a given region we will open a new store only after the existing ones are running profitably, and we don't spend money on advertising. We want to understand a country and its retail landscape, work out any operational kinks, and build a reputation through word of mouth before we expand within it.

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And over the past three decades we've discovered that there is, in fact, a large market for Muji around the world. We've continued to grow domestically, with 418 stores in Japan, but today we have nearly as many—403—in 27 countries throughout Europe, North America, Australasia, and the Middle East. Under the corporate umbrella of Ryohin Keikaku, which listed on the Tokyo Stock Exchange in 1998, Muji remains a Japanese company. But we are proud to call ourselves a global brand.

INTERNATIONAL BEGINNINGS

I joined Seiyu in 1976 and transferred to Ryohin Keikaku in 1993. Having worked my way up through the household division, I was always interested in bringing what Muji offered to the rest of the world. But the learning curve was, of course, steep.

Our initial foray into Britain—the joint venture with Liberty—didn't satisfy us. That wasn't because the products didn't sell; they did. The problem was strategic misalignment. We had quite a clear vision for how to properly introduce and deploy Muji abroad, and we thought we could leverage Liberty's resources. But ultimately we decided that a stand-alone shop that we could operate in a hands-on fashion would be the best way to present our concept to customers. We retained Liberty as a partner and local expert and opened a store on Regent Street, near Oxford Circus, in 1991. We had only 155 square meters, but our offerings, with their unadorned, unbranded, monochromatic design, were unique, and the store became extremely popular.

We made some missteps, however. At first we sent over Japanese buyers who were highly proficient in the English language and efficiency oriented. But we soon learned that they weren't entirely effective: Although they supplied the store with best-selling products, they did not tell the local staff how to plan the mix of goods and the floor displays in the Muji way. So the store turned out quite different from what we had expected.

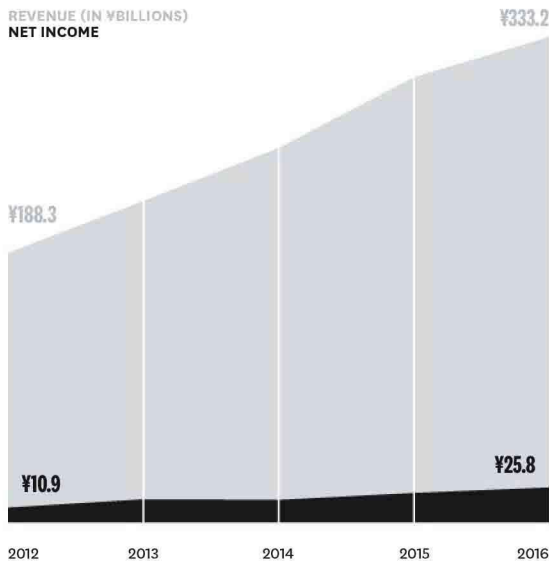
Having only recently become an independent company, Ryohin Keikaku was still operationally weak. Seiyu and Saison Group had done some exporting, but no executives with relevant experience had been transferred to our offshoot, so we had to rely heavily on Liberty for administration and logistics. That eventually led to difficulties. Its managers had their own business to run; we weren't their top priority. And we were forced to incorporate our high operating costs into our prices, so the “inexpensive” part of our concept was missing.

Still, the customer response continued to be encouraging. So in 1994 we ended the partnership with Liberty and created a European subsidiary to run the

RYOHIN KEIKAKU FACTS & FINANCIALS

FOUNDED 1989
HEADQUARTERS TOKYO
NO. OF LOCATIONS 870
NO. OF EMPLOYEES 16,195

REVENUE (IN ¥BILLIONS)
NET INCOME



SOURCE RYOHIN KEIKAKU

first London store, then the second and the third, and eventually our first in continental Europe: Muji Saint Sulpice, in Paris.

At the time, we had no clear strategy or standards for where to expand. We just looked for urban shopping areas that appeared to be full of people who were likely to buy Muji. These educated guesses proved fruitful, paving the way for further growth in Europe several years later.

EXPANDING IN ASIA

We were also expanding closer to home—in fits and starts—during the 1990s, not just in Japan but elsewhere in Asia. We opened our first Hong Kong store, also with a local partner, at about the same time as the London one, in 1991. Our sales exceeded plan from the first year, and over the next four years we expanded to several more sites in the city. In 1995 we looked to another Asian travel hub: Singapore. We established another joint venture and opened a store in Bugis Junction. In both cases the local partners were either connected to or selected by Seiyu, the parent company at the time.

Although customers in these markets liked what we offered, and our revenues were strong, we had problems similar to those we faced in the UK. The Asian partnerships weren't profitable, and since we and our partners were struggling to thrive in Japan's

still-stagnating economy, we decided in 1998 to withdraw from both Hong Kong and Singapore.

We weren't absent for long, however. In 2000 my predecessor, Tadamitsu Matsui, was appointed president of Ryohin Keikaku and set about cleaning up Muji's organization and operations. By 2001 we were financially stable enough to revisit our pan-Asian ambitions. We established a Hong Kong subsidiary in 2001 and began to open stores again, at a rate of about two a year. In 2003 we did the same in Singapore, and in 2004 we established Muji Korea. (We also resumed European expansion at that time, with licensing deals in Scandinavia and the creation of Muji Italia.)

Then came our entry to mainland China. In the early 2000s we began to notice that although we had registered our logo and brand in the country, other companies were using it—the same letters, the same Japanese characters—to sell cheap, colorful, and poorly designed products that looked nothing like ours. One of these fakers had 14 stores, some of them in Hong Kong.

As someone who'd lived and breathed our brand for 20 years and was at that point a managing director overseeing merchandising, advertising, promotions, and sales at Ryohin Keikaku, I was hurt every time I saw one of them. We couldn't have a whole country of consumers believing that this was Muji. We litigated, but we weren't sure the Chinese courts would come down on our side, so we decided to take matters into our own hands: We would bring the real Muji to China. We opened a Shanghai store in 2005.

Quality control was still a concern, however, especially as we considered the vast geographic expanse of the Chinese market. With stores spread so far apart, we couldn't send our Japanese executives and salespeople to oversee all of them; we'd have to rely on local managers. So when I was appointed president of Ryohin Keikaku, in 2008, one of my first priorities was to ensure that the Muji experience—from walking into a store to buying and using our products—would feel exactly the same no matter where you were in the world.

We created a department to set rules for store design, layout, and merchandising. We began to give all frontline staff members the same training and to bring many locally hired store managers to our offices in Tokyo for instruction. We streamlined our distribution, accounting, and merchandising so that we could all share the same data. And although we now manufacture and sell more than 7,000 items, we do no customization or adaptation for particular countries or regions.

I like to say that Muji goods should be like water: of universal appeal. And I believe that this adherence to a uniform vision and execution has been the key to our success in recent years, not just in mainland China and Hong Kong, where we now have 200 and 17 stores respectively, but also in other overseas markets.

MUJI'S EXPANSION

STORE OPENINGS AROUND THE WORLD



JAPAN

1983

FIRST DIRECTLY
MANAGED MUJI
STORE OPENS



UNITED KINGDOM

1991



HONG KONG



SINGAPORE

1995



FRANCE

1998



KOREA

2003

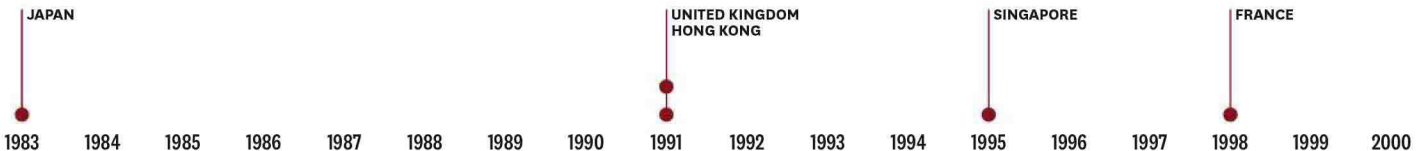


TAIWAN



ITALY

2004





GERMANY

2005



SPAIN

2006



UNITED STATES

2007



PHILIPPINES

2010



AUSTRALIA

2013



CHINA



MALAYSIA

2012



UNITED STATES

2015

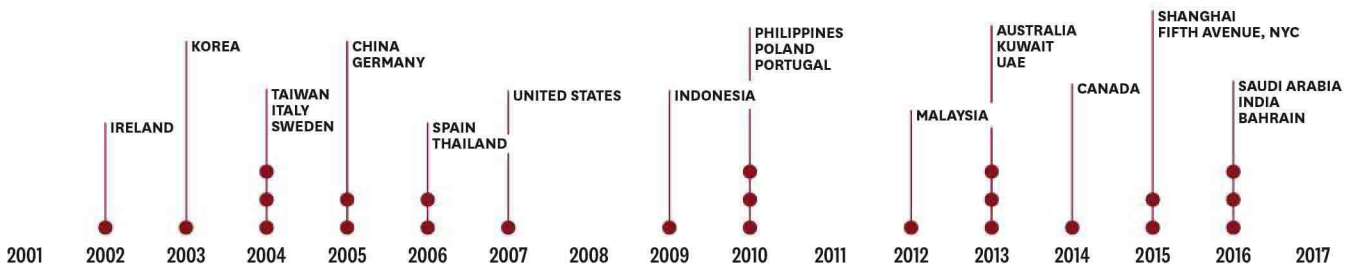
TWO MORE FLAGSHIPS: SHANGHAI HUAIHAI 755 AND MUJI FIFTH AVENUE, NYC



INDIA

2016

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THE U.S. MARKET

Even as our international growth ramped up elsewhere in the mid-2000s, we approached the U.S. market with some trepidation. First, it's a long distance from Japan. Second, the culture of consumer litigation scared us. For example, I remember hearing a story (perhaps an urban legend) at the time we were discussing our U.S. debut about a man who had tried to dry his wet cat in a microwave and had sued the microwave manufacturer for damages! How could any B2C business survive in an environment like that?

IN PLACES THAT HAVE A SURFEIT OF STUFF TO BUY, WE THINK OUR PRODUCTS CAN BE PARTICULARLY USEFUL.

Of course, in a global context, we knew how important the U.S. market would be to us—not just for the additional revenue but also to spread our no-waste ideals as far as possible. In places that have a surfeit of stuff to buy and many retailers trying to sell you more and more, we think our products can be particularly useful.

New York City was an obvious first destination, and we chose SoHo for its young, hip vibe, opening in 2007. Having gotten a feel for the Manhattan market, we've since launched five more stores in and around the area. We also tested and then expanded in California: Santa Monica, San Jose, Hollywood, and Palo Alto. In 2017 we opened in Boston. Ten stores in 10 years may seem slow, but we are committed to taking our time, developing stores when we are ready.

So far, we've focused on urban or university areas and places where our e-commerce sales are strong. But mature U.S. markets like the ones we've entered are challenging for many reasons. Because our manufacturing is still mainly in Asia, we're shipping our goods across an ocean to get to these outlets. However, in five to 10 years, as our U.S. footprint grows, we hope to make some items—such as our home storage systems—in the Americas. In addition, because rent, labor, and construction costs are high, especially in areas with unions, we can't build big stores and offer as many products as we'd like to, or sell them as cheaply. But we try to overcome this through expert curation: We pride ourselves on selecting the perfect subset of our products for each location.

Competition in these cities remains fierce, and we're somewhat hampered by the fact that we don't advertise—another pillar of our no-frills philosophy. Still, we've found that we can rely on the quality of our products and salespeople and customer word

of mouth to stand out from the crowd. One way we've accomplished this is by bringing new retail concepts to the American market. For example, in our New York flagship, on Fifth Avenue, we incorporated a create-your-own essential oil and an embroidery service.

A COUNTERPOINT TO COMMERCIALISM

How did we manage all this international expansion while growing domestically in a still-weak economic climate? For one thing, consumers have always regarded Muji as value for money, so we performed better than most in the Japanese downturn. We've experimented with various categories in our home market—for example, we now have cafeterias, houses, and campsites, which have proved popular. Today we're also looking at smaller, more remote areas of the country where once-thriving shopping districts are now ghost towns; we call them “shutter streets,” because all the stores are closing up their windows. We believe that by putting a Muji store or café in those areas, we might just be able to revitalize them.

Abroad, we continue to move cautiously, when the time is right. We stick to our policy of adding stores only when existing ones in the country or region are running profitably, and we trust the intelligence we get from our local managers. We have three regional managers—for Europe and North America; East Asia (China, Hong Kong, South Korea, and Taiwan); and southern and western Asia and Oceania (Australia, India, Indonesia, Malaysia, the Middle East, the Philippines, Singapore, and Thailand)—to whom country heads report. Regional directors propose new locations in store-planning committee meetings, which Muji's president, Satoru Matsuzaki, and I (now as chairman) attend. Final decisions are made there, on the basis of guidelines we formalized in 2003. Some of our newest markets include Saudi Arabia, Bahrain, and India, where we opened our first stores in 2016.

Operations outside Japan now account for 35% of our business, and we intend to keep expanding globally. However, our aim is not to grow as large as we can. It is to be tenacious in our quest to deliver on the Muji promise and to be of use in the lives of people around the world. That is our definition of business success, conceived as a counterpoint to over-the-top commercialism. We want to make good, long-lasting products accessible to as many consumers as possible and to start meaningful conversations about the importance of sustainability.

In our most recent strategic plan, we highlighted the Japanese word *kanji-ii-kurashi*. It's difficult to translate into English, but essentially it means living as part of a community, simply, conscientiously, and in harmony. We'd like to see this idea penetrate both the most populous and the most remote areas of the world. 🌐

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