MUJI NO-BRAND DESIGN[3]

Since its founding in 1980, the Japanese retailer Muji has gradually expanded its global footprint. In 2015, the company grew its sales 18 percent, earning over $2 billion in revenue from more than 700 stores worldwide. Muji, short for Mujirushi Ryohin, is represented by four characters that mean "no-brand quality goods." Initially, Muji included only 40 different food and household products. Today, it sells more than 7,000 items ranging from furniture to soap.

The Muji philosophy is to deliver functional products that strive not to be the best, but "enough." Superfluous features and attributes unrelated to function are typically omitted. Muji can be described as a reaction to the glitz of Tokyo's Ginza and other shopping districts filled with brand after brand, each trying to be more upscale than the last. During a visit to a Muji store, customers encounter simple products with simple designs in a noncommercial atmosphere.

Fewer features lowers prices as does the company's attention to things like packaging (most of Muji's paper products are unbleached), which are cheaper in bulk. This low price strategy helps Muji compete with big-box home goods retailers as well as other casual clothing stores—it is at or above parity on price (low price) for these categories.

At the same time, Muji's emphasis on no-brand and simplicity gives it a point of differentiation in the performance area. The simple designs are, in fact, stylish in a strangely utilitarian way. Some customers even view its no-brand approach as a type of social responsibility, which adds further value. Finally, although generic patterns are used, pleasing design elements are offered to keep these offerings above what most big-box stores can offer. For example, the store provides self-expressive benefits such as a station called "Muji Yourself" where customers can decorate notebooks with stamps or have clothes embroidered.

Service Quality

Performance value can also be achieved through service quality—which is usually a collection of intangible and tangible sources of value. Consider the exceptional service of Singapore Airlines. With Ferragamo toiletries, Givenchy blankets, pillows, and pajamas, meals like Lobster Thermidor, en suite cabins on some planes, tuck-in service, and exceptionally polite and kind flight attendants, it is no wonder the airline was named the best international airline in the world.[4] Research has shown that, in general, service quality is based in large part on the perceived competence, responsiveness, and empathy of the people with whom customers interact.[5]

Social Responsibility Quality

Here the focus is on developing products and services that contribute to larger societal outcomes. Dove's Campaign for Real Beauty offers reasonable quality products that are positioned to focus on a personal and individualized sense of beauty that is not premised on media stereotypes. Products are rarely shown; instead, media on and off the web challenge women to think beyond standard ideas about beauty. High-impact campaigns include Dove's "Evolution," "Little Girls," "Real Beauty Sketches" and most recently the powerful "My Beauty My Say"—all of which draw attention to the brand's social role. These campaigns are complemented by contributions to workshops and programs for girls. Toms Shoes offers a standard canvas or cotton slip-on shoes for a price premium. The premium supports the company's One for One® business model in which the company promises to deliver a pair of new, free shoes to a needy child for the sale of every pair of shoes at retail. The company has been very successful as evidenced by its Moody's valuation of $392M.[6] This business model has inspired other startups, such as Warby Parker, to adopt a similar approach.

Price Value

In nearly every market, from appliances to economy sedans to toothpaste to booksellers to brokerage services, there will be a customer segment that is motivated by price. Even in high-end markets such as luxury sports sedans, some brands (e.g., Acura) will stake out a value position. During recessionary times, the "value segment" can become especially large.

These companies do not compete on quality or innovation, nor do they cultivate close relationships with their customers. Instead, they provide reliable products or services positioned in the middle of the market space at the *best price*. The best price is seldom the "cheapest," but offers the lowest total life cycle cost to the customer.

Exemplars such as Vanguard Group, IKEA, Aldi (a European discount grocery), and Walmart work on all the factors that customers consider when comparing total cost, such as (1) product reliability that lowers further costs of ownership by avoiding repairs and down-time, (2) reliable service that reduces annoyance and uncertainty about delivery or reliability, and (3) convenience and availability that makes shopping easier. But at the top of the list is always the price paid. Thus, the mutual fund giant Vanguard uses index funds that mirror the overall stock market and a bare-bones corporate structure to charge only 0.3 percent of assets for annual expenses. This is far below the average domestic stock fund that charges approximately 1.5 percent for expenses.

There are many routes to price value leadership, all of which include a no-frills product or service. The two most prevalent are applying highly disciplined cost management and using superior pricing acumen.

Disciplined Cost Management

These firms sell high volumes of standard products to gain the cost savings from economies of scale. They gain efficiencies by converting their large volumes into experience curve cost-savings benefits. But scale is not enough; further discipline is needed to limit variety and avoid product line proliferation. It also means minimizing every element of overhead and installing a frugal culture. Facilities are usually simple, which sends a clear signal to customers. Procedures are highly standardized and tight cost controls are in place. All firms need cost controls to keep costs in line, but companies competing on price value should be more thorough, rigorous, and less accepting of cost variances.

IKEA competes on price value by staking out a "low price with meaning" position in the fragmented furniture market. Most furniture retailers offer a wide selection of brand-name items with lots of sales help. IKEA's self-serve value proposition eliminates these familiar elements. IKEA does not provide in-store sales assistance and requires customers to do everything from taking their own measurements to pulling their own furniture off warehouse pallets. Customers have to transport their purchases home and assemble them. Costs are further reduced by limiting furniture to modern Scandinavian designs and manufacturing in low-cost countries. Product design is utilitarian, and IKEA makes no pretense that its products will last forever.[7] Yet IKEA is not a low-end big-box store selling cheap furniture from dingy warehouses in out-of-the-way locations. Its showrooms have a cheerful, airy, modern ambiance with unexpected amenities such