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# Lifestyle Branding

*A cross-cultural perspective through  
MUJI and IKEA's experiences*

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## 要旨

ポストモダン社会におけるアイデンティティと自己表現の追求は、消費者との感情的なつながりの再考とともに、生活様式の提案を通じて人々を刺激、指導し、動機づけようとするブランド、つまり「ライフスタイルブランド」への変貌を促す。こうした現象は世界中で起こっており、過去数十年に渡ってライフスタイルブランドに進化した企業数は印象的である。しかしながら、このトピックに関する学術研究は依然として非常に少ない。そこで本稿では、マーケティングと消費文化の視点から、ライフスタイルブランドを捉え直して研究を深化させる。本稿の目的と構成は次のようになっている。

本稿では、ライフスタイルブランディングの現象について背景と現状を分析し、今後の戦略的成長に向け、さらなる国際展開への課題を考察することを目的とする。主要な先行研究をレビューした上でこの現象をよりよく理解するために、日本の無印良品というブランドとスウェーデンのイケアというブランドの比較事例研究を行う。この二社を比較する理由は、文化的にも社会的にも異なる背景から生まれたにもかかわらず、それらの美的感性とライフスタイル提案が非常に似ていると同時に、マーケティングでは全く違う戦略を導入しているためである。そこで本稿では事例研究を行うことにより、ライフスタイルブランドの文化的背景がライフスタイルの提案はもちろん、市場へのアプローチ、商品開発のプロセス、顧客とのコミュニケーションなどにも影響を与えるかどうかを判断することも目的としている。

第1章ではライフスタイルブランディングを考察するにあたり、基盤となる消費者行動の研究から紐解く。ポストモダン社会では、消費者は消費を通じて自分のアイデンティティを構築するといわれており、ブランドを自己表現の手段とし、感情

的な利点をもたらすように求める。これにより、多くのブランドは過去数十年に渡って理想的なライフスタイルを作り、それを世の中の人々に提案するライフスタイルブランドへと変化した。ここではその背景と現状を紹介する。

第 2 章では、ライフスタイルブランドの創造プロセスを明らかにする。ライフスタイルブランドがどのように開発され機能するかを説明するために、解釈モデルを提示する。このモデルでは、ブランドのビジョン（価値観や信念）、マニフェスト（その価値観をどのようにライフスタイルとして提案にするか）、エクスペリメンテーション（そのビジョンとライフスタイル提案を具体的にどのように表現するか）といった三つの特徴を紹介する。

第 3 章では、海外市場に進出するライフスタイルブランドが取り組む二つの戦略的な課題について論じる。企業が海外進出を決定すると、マーケティング戦略を標準化にするか現地適合化にするかが話題となる。また、文化がブランドイメージを左右するといわれるため、ブランドの認識が市場によってどのように異なるかをとらえることが重要になる。そのため、ライフスタイルブランドはライフスタイルを提案する際に、それぞれの国や地域の文化と価値観を理解することが前提だといえる。

第 4 章では無印良品の事例研究を行う。同社は生活雑貨専門店であるが、衣食住と多岐に渡る品揃えを通して、トータルライフスタイルを提案する戦略をとっている。「わけあって安い。」のコンセプトに象徴されるように、無印良品はデザイン性や機能性を活かした安価で質の良い商品を通じて、世界の人々に「感じ良いくらし」を提案していく。この事例研究では、ビジネスモデルやマーケティングミックス、海外展開の戦略、文化的背景などを考察し、ライフスタイルブランドとして無印良品を分析する。

第 5 章ではイケアの事例研究を行う。同社は、組み立て式の家具やインテリアなど、家での生活に必要な商品を提供する世界最大の家具小売業者である。イケアの目標は、より多くの人々が良い暮らしを送れるようサポートすることである。品質、機能性、手頃な価格設定を活かしたフラットパックデザインを通じて、世界中の人々にモダンで快適なライフスタイルを提案している。この事例研究では、ビジネスモデルやマーケティングミックス、海外展開の戦略、文化的背景などを考察し、ライフスタイルブランドとしてイケアを分析する。

第 6 章では、総括として無印良品とイケア、それぞれの共通点と相違点を整理する。ローカルビジネスとして始まった両ブランドは、世界中の人々にシンプルさと機能性、低価格を提供することに焦点を当て、現代のライフスタイルのグローバルな代表者になった。しかし、両社はともにライフスタイルを提案するだけでなく、デザインや革新的なビジネスモデル、社会的責任において世界的なパイオニアにもなっている。にもかかわらず、ブランド戦略としては、「DIY」ポリシーやショールームコンセプト、インタラクティブなショッピング体験、そしてデザインと機能を低価格で提供することを重視するイケアに対し、無印良品はノーブランド、プロセスの合理化、商品の全体的な基本性を通じて顧客に感情的で自己表現的な利点をもたらそうとする。本章では、無印良品とイケアのデザイン、マーケティング戦略、ブランドイメージ、イノベーションなどの研究課題を比較し、結論をまとめる。

# Introduction

The growing search for identity and self-expression through consumption in postmodern society pushes brands to reconsider the way they build emotional connections with consumers, eventually leading them to turn into *lifestyle brands*, that is brands who seek to inspire, guide and motivate people by influencing their way of life. The phenomenon is widespread all over the world, with an impressive number of companies evolving into lifestyle brands over the last few decades. However, academic research related to this topic is still very limited.

The purpose of this study is to add better understanding of the *lifestyle branding* phenomenon, starting from the conceptualization of a theoretical framework that will support a following case study research. In the first part of the dissertation, a literature review will explain the reasons behind lifestyle branding (Chapter 1), the development process of lifestyle brands (Chapter 2) and two strategic issues for lifestyle retail brands when expanding into overseas markets: whether to standardize or localize the marketing strategy and how brand perception changes across cultures (Chapter 3).

Then, to provide a practical view of the matter, this study will focus on determining whether the culture of origin of a lifestyle brand is likely to have a significant impact not only on the lifestyle proposition but also on the way a lifestyle brand approaches the market, develops its offerings, communicates with its customers. This will be evaluated through a comparative analysis between MUJI (Chapter 4) and IKEA (Chapter 5) lifestyle branding experiences, investigating from a cross-cultural perspective the main features of these two brands which, despite coming from different cultural and social backgrounds, seem to be grounded on similar lifestyle intentions and offer remarkably similar aesthetics, designs and products. Some further considerations (Chapter 6) on MUJI and IKEA's marketing strategy, brand image, and brand values such as innovation and sustainability will finally conclude the research.

*A lifestyle change begins  
with a vision and a single step.*

Jeff Calloway

# 1. Marketing a Lifestyle

## 1.1 Consumers' need for self-expression

In postmodern society, where fragmentation, indeterminacy and intense distrust<sup>1</sup> cause “various distinctive tensions and difficulties on the level of the self”<sup>2</sup>, consumers are forced to negotiate lifestyle choices among a diversity of options<sup>3</sup>. Thus, the search for identity and self-expression has turned into a key factor in determining people’s everyday choices<sup>4</sup>.

Reed et al.<sup>5</sup> define identity as “any category label to which a consumer self-associates either by choice or endowment”. In most social sciences theorizing, literature usually contrasts *personal* and *social* identity, also termed *collective* identity<sup>6</sup>, based on people’s dynamic concepts of themselves as either individuals or as members of groups<sup>7</sup>. However, personal and social identity are not separate dimensions as the development of an individual self is inseparable from the parallel development of a collective self<sup>8</sup>. As described by Jenkins<sup>9</sup>, there is an *internal-external dialectic of identification* between self-image (internal identification) and public image (external categorization) which makes identity never unilateral. Therefore, “it is not enough simply to assert an identity; that assertion must be validated, or not, by those with whom we have dealings”<sup>10</sup>.

In postmodernism, identity is conceptualized not as something given but something that is socially constructed, mainly through consumption<sup>11</sup>. Levy<sup>12</sup> is one of the first

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<sup>1</sup> David HARVEY, *The Condition of Postmodernity. An Enquiry into the Origins of Cultural Change*, Blackwell Publishing, 1989, p. 9

<sup>2</sup> Anthony GIDDENS, *Modernity and Self-Identity: Self and Society in the Late Modern Age*, Stanford University Press, 1991, pp. 187-201

<sup>3</sup> Ibid., p. 5

<sup>4</sup> Tim LANG and Yiannis GABRIEL, *The Unmanageable Consumer: Contemporary Consumption and its Fragmentations*, SAGE Publications, 1995, pp. 81-99

<sup>5</sup> Americus REED, Mark R. FOREHAND et al., “Identity-Based Consumer Behavior”, *International Journal of Research in Marketing*, 29, 2012, p. 312

<sup>6</sup> Mark R. LEARY and June Price TANGNEY (edited by), *Handbook of Self and Identity* (2<sup>nd</sup> Edition), The Guilford Press, 2012, p. 74

<sup>7</sup> Stefania SAVIOLO and Antonio MARAZZA, *Lifestyle Brands: a guide to aspirational marketing*, Palgrave Macmillan, 2012, p. 6

<sup>8</sup> Richard ELLIOTT and Kritsadarat WATTANASUWAN, “Consumption and the Symbolic Project of the Self”, in *E-European Advances in Consumer Research*, 3, 1998, pp. 17-20

<sup>9</sup> Richard JENKINS, *Social Identity*, Routledge, 1996, p. 42

<sup>10</sup> Ibid.

<sup>11</sup> Richard ELLIOTT and Kritsadarat WATTANASUWAN, “Brands as symbolic resources for the construction of identity”, *International Journal of Advertising*, 17, 2, 1998, p. 132

<sup>12</sup> Sidney J. LEVY, “Symbols for sale”, *Harvard Business Review*, 37, 4, 1959, pp. 117-124

scholars to link the construction of identities to consumption patterns, maintaining that people buy products not only for their intrinsic features, but also – and mostly – for their symbolic meanings. Grubb and Grathwohl<sup>13</sup> furtherly add that through the acquisition of products people enhance their status, because goods are social tools that convey signals. As past literature suggests, products are indeed carriers of meaning and can play a symbolic role to express identity. This is mainly due to the fact that we see our possessions as part of ourselves, the so called *extended self*<sup>14</sup>.

Through symbolic consumption, people build their identity in a way consistent with their self-image and the one they want to communicate to others<sup>15</sup>, because products are symbol of status that can tie together those who share the same values and points of view<sup>16</sup>. Some literatures<sup>17</sup> have interpreted consumption as a mean of self-approval or even to fill inner emptiness, but consumption must be considered first and foremost a resource, through which the consumer experiment, affirm or deny the dimensions of the self.

“If identity represents a contemporary obsession, brands are an extraordinarily effective way to express it”<sup>18</sup>, because, through their communicative and symbolic power, they allow people “to share a belief, to communicate a point of view in respect to society and to experiment multiple personalities”<sup>19</sup>. Brands are symbolic expressions of values and meanings that, associated with consumption, allow people who adopt them to express and validate their identity. That is, consumers will buy products whose image is congruent with their own, choosing brands that will make them perceive a sense of identity. In fact, “the increased degree of product commoditization in the past two decades [...] has made brands associations – in particular, associations related to one’s self-identity – an increasingly important source of brand value”<sup>20</sup>.

The self-expressive function of brands drives consumers towards building long term

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<sup>13</sup> Edward GRUBB and Harrison GRATHWOHL, “Consumer Self-Concept, Symbolism and Market Behavior”, *Journal of Marketing*, 31, 4, 1967, pp. 22-27

<sup>14</sup> Russell BELK, “Possessions and the Extended Self”, *Journal of Consumer Research*, 15, 2, 1988, pp. 139-168

<sup>15</sup> John Brookshire THOMPSON, *The Media and Modernity: A Social Theory of the Media*, Cambridge: Polity, 1995, pp. 207-234

<sup>16</sup> Stefania SAVIOLO and Antonio MARAZZA, *Lifestyle Brands: a guide to aspirational marketing*, Palgrave Macmillan, 2012, p. 7

<sup>17</sup> for further reading, see Susan AUTY and Richard ELLIOTT, “Being Like or Being Liked: Identity Vs. Approval in a Social Context”, in *NA - Advances in Consumer Research*, 28, 2001, pp. 235-241

<sup>18</sup> Stefania SAVIOLO and Antonio MARAZZA, *Lifestyle Brands: a guide to aspirational marketing*, Palgrave Macmillan, 2012, p. 9

<sup>19</sup> Ibid.

<sup>20</sup> Alexander CHERNEV, Ryan HAMILTON and David GAL, “Competing for Consumer Identity: Limits to Self-Expression and the Perils of Lifestyle Branding”, *Journal of Marketing*, 75, 3, 2011, p.67

relationships with the ones they feel more similar to them, since consumers are able to give different personalities to brands and to forge connections with them as if they were interpersonal ones<sup>21</sup>. These relationships influence the affective, cognitive and behavioral dimension of consumers<sup>22</sup>. From a brand perspective, consumer-brand relationships provide several benefits: they power the emotional component of the brand, consolidate a positive prejudice and increase the brand's ability to convey meanings intimately related to consumer identity, among others. Moreover, the brand can be associated, as relationship partner, not only with the self and the individual identity, but also with its reference groups<sup>23</sup>. Consumers can therefore be led to build a *social identity* consistent with a group by taking possession of the brands which symbolically enshrine membership<sup>24</sup>.

However, rather than being just “a perfect filter between how we are and how we want to appear”<sup>25</sup>, brands are also pushed to develop their own vision of the world, because “the meaning and value of a brand is not just its ability to express the self, but also its role in helping consumers create and build their self-identities”<sup>26</sup>. In contemporary society, winning brands are, indeed, those that succeed in owning the emotional territory, producing original contents that engage emotionally their consumers and, consequently, enhance the quality of their life. Accordingly, brands constantly and continuously apply themselves to finding a way to connect with consumers and satisfy their thirst for self-expression, striving to move “towards the creation of culture and compelling experiences – with the brand as subject – in which people want to voluntarily participate, developing and enriching them”<sup>27</sup>.

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<sup>21</sup> Susan FOURNIER, “Consumers and their brands: developing relationship theory in consumer research”, *Journal of Consumer Research*, 24, 4, 1998, p. 344

<sup>22</sup> Ibid., p. 363

<sup>23</sup> Jennifer Edson ESCALAS and James R. BETTMAN, “Self-Construal, Reference Groups, and Brand Meaning”, *Journal of Consumer Research*, 32, 3, 2005, p. 379

<sup>24</sup> Ibid.

<sup>25</sup> Stefania SAVIOLO and Antonio MARAZZA, *Lifestyle Brands: a guide to aspirational marketing*, Palgrave Macmillan, 2012, p. 13

<sup>26</sup> Raluca MIHALCEA and Iacob CATOIU, “Consumer Identity and Implications for the Brand”, *Annales Universitatis Apulensis Series Oeconomica*, 2, 10, 2008

<sup>27</sup> Stefania SAVIOLO and Antonio MARAZZA, *Lifestyle Brands: a guide to aspirational marketing*, Palgrave Macmillan, 2012, p. 13

## 1.2 The rise of Lifestyle Brands

Any brand that aims at creating emotional connections with consumers must reinvent itself frequently, adapt to contexts and follow new trends, in a constant effort to improve its own image and consumers' quality of life. In the last few decades, this has led many companies to revamp their brand in order to fit into people's lifestyle and – subsequently – to create their own way of life, transforming the brand in “a generous contributor towards a certain lifestyle rather than an exploiter of the lifestyle itself”<sup>28</sup>. In other words, a new category of brands – the so called *lifestyle brands* – has come to life, trying to appeal to consumers by proposing desirable lifestyle behaviors. A lot of companies are instinctively born from scratch as lifestyle brands, while others evolve into lifestyle brands over time by gradually capitalizing on a product's self-expressive benefits, implementing an integrated marketing strategy that elevates the brand to a higher emotional level<sup>29</sup>.

The focus on people's lifestyle is not coincidental: as reported by Vyncke<sup>30</sup>, the lifestyle we choose to live reflects our values, life vision, aesthetic styles and media preferences. Hence, it influences not only consumption patterns but also marketing communications<sup>31</sup>. Consumers use lifestyle as a mean to relate to their life goals and to project their values to the outside; from this perspective, “lifestyle can be considered as an irrefutable mean of self-expression in accordance with the social identity theory”<sup>32</sup>. Many companies today use the word ‘lifestyle’ as an indicator of a wide product range, but that is not enough to achieve the ‘lifestyle brand’ status: it is from the type of gain and symbolic value that people associate with the brand that benefits start arising<sup>33</sup>.

Although being a widespread phenomenon in the last few decades, however, the concept of *lifestyle branding* has not yet been formally operationalized in marketing

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<sup>28</sup> Stefania SAVIOLO and Antonio MARAZZA, *Lifestyle Brands: a guide to aspirational marketing*, Palgrave Macmillan, 2012, p. 13

<sup>29</sup> Kacie Lynn JUNG and Matthew MERLIN, “Lifestyle Branding: As More Companies Embrace It, Consumer Opposition Grows”, *Journal of Integrated Communications*, 2002-2003, p. 42

<sup>30</sup> Patrick VYNCKE, “Lifestyle segmentation: from attitudes, interests and opinions to values, aesthetic styles, life visions and media preferences”, *European Journal of Communication*, 17, 4, 2002, pp. 445-463

<sup>31</sup> Ibid.

<sup>32</sup> Claudiu C. MUNTEANU and Andreea PAGALEA, “Brands as a mean of consumer self-expression and desired personal lifestyle”, in *Procedia – Social and Behavioral Sciences*, 109, 2014, p. 104

<sup>33</sup> Stefania SAVIOLO and Antonio MARAZZA, *Lifestyle Brands: a guide to aspirational marketing*, Palgrave Macmillan, 2012, p. 60

studies except for very brief and broad definitions<sup>34</sup>. The American Marketing Association<sup>35</sup>, for instance, has yet to provide an official interpretation of the matter. In the academic world, on the other hand, some scholars have tried to conceptually define the nature of lifestyle brands. Among the few, Jung and Merlin<sup>36</sup> describe *lifestyle branding* as a “product or service that provides consumers with an emotional attachment to an identifiable lifestyle”. They also argue that “companies strive for lifestyle branding because they can reap financial benefits by building and sustaining a strong, emotional and long-term bond with consumers”<sup>37</sup>. Additionally, Austin and Matos<sup>38</sup> take a step forward and, despite not providing clearer definitions, propose a list of ten attributes that specifically set lifestyle brands apart from others: *Association* (linking to other people, places, or images), *Quality/Excellence* (high quality products), *Sensory appeal* (attractiveness), *Sign value* (congruency with user’s identity), *Personification* (human-like personality), *Interactivity* (consumer engagement), *Facilitation* (helping the user attain goals), *Internal consistency* (interrelated associations), *Mythology* (embodiment of social ideals) and *Values* (a set of core values).

Saviolo and Marazza<sup>39</sup> are among the first researchers to conduct an extended analysis of the phenomenon, examining its practical definitions, identifying its essential theoretical elements and providing a comprehensive description of its marketing implications. They explain lifestyle brands as *companies that market their products or services to embody the attitudes, interests, and opinions of a group or a culture and that seek to inspire, guide, and motivate people, with the goal of their products contributing to the definition of the consumer’s way of life*. According to their analysis, “a brand becomes a lifestyle brand when it promotes social benefits through a point of view on the world that a significant number of people adhere to by becoming customers, because they are represented in terms of attitudes, opinions and interests”<sup>40</sup>. Among

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<sup>34</sup> Caroline G. AUSTIN and Geraldo MATOS, “Lifestyle Brands: The Elephant in the Room”, in *NA - Advances in Consumer Research*, 41, 2013, p. 653

<sup>35</sup> www.ama.org

<sup>36</sup> Kacie Lynn JUNG and Matthew MERLIN, “Lifestyle Branding: As More Companies Embrace It, Consumer Opposition Grows”, *Journal of Integrated Communications*, 2002-2003, p. 40

<sup>37</sup> Ibid.

<sup>38</sup> Caroline G. AUSTIN and Geraldo MATOS, “Lifestyle Brands: The Elephant in the Room”, in *NA - Advances in Consumer Research*, 41, 2013, p. 653

<sup>39</sup> Stefania SAVIOLO and Antonio MARAZZA, *Lifestyle Brands: a guide to aspirational marketing*, Palgrave Macmillan, 2012

<sup>40</sup> Ibid., p. 61

symbol intensive brands – they add – lifestyle brands are characterized by the existence of a ‘call to action’, that is a vision of the future which makes them bearers of a ‘movement’<sup>41</sup>.

The research territory on lifestyle brands may still be very limited, yet lifestyle branding is rapidly playing an increasingly bigger role in contemporary retailing: the lifestyle and brand features “extend the function of the retailer into the lives of consumers, redefining and creating value for both partners in the relationship”<sup>42</sup>. To win customer loyalty and become successful lifestyle *retail* brands, then, companies need to focus on developing a coherent and congruous brand strategy – ranging from the conceptual idea up to the physical store – and to anchor themselves to consumers’ needs.

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<sup>41</sup> Stefania SAVIOLO and Antonio MARAZZA, *Lifestyle Brands: a guide to aspirational marketing*, Palgrave Macmillan, 2012, p. 48

<sup>42</sup> Deborah HELMAN and Leslie DE CHERNATONY, “Exploring the Development of Lifestyle Retail Brands”, *Service Industries Journal*, 19, 2, 1999, pp. 49-50

## 2. Developing Lifestyle Retail Brands

### 2.1 Exploring driving factors

Knowing and understanding customers' needs is a crucial issue for every company, because brands are not what their creators want them to be but, rather, how consumers perceive them<sup>1</sup>. Consumers view brands as 'identities' – made of functional utility, psychological attributes and symbolic meanings<sup>2</sup> – and choose those they feel more similar to their self-image<sup>3</sup>. Adopting a *consumer-centric* approach to business is a critical matter for any brand and constitutes a mandatory requirement especially when it comes to lifestyle brands, whose mission – by definition – is to inspire the consumer's way of life. Any brand that aims at achieving the 'lifestyle status' needs to understand the type of experiences that its consumers crave, as well as the people, places and things that motivate and inspires them, just as an anthropologist would do trying to understand a culture<sup>4</sup>.

The starting point for developing a lifestyle brand is, therefore, building deep understanding of what consumer *lifestyle* demands are, that is the factors driving toward lifestyle branding. This will determine which customer segments the brand will focus on, so that it can build a coherent brand image around them and, consequently, a dedicated lifestyle. The most relevant factors driving towards lifestyle branding can be classified as follows:

- **Identity.** As previously discussed, the need for self-expression, identity and status plays a decisive role in driving postmodern consumption behavior. Indeed, the search for personal expression through brands is, by far, the most important factor leading to lifestyle branding as well as the easiest requirement for any aspiring lifestyle brand to fulfil, because providing a sense of identity is what mostly defines the *lifestyle branding* strategy.

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<sup>1</sup> Kit SMITH, *Marketing: The Importance of Brand Perception*, in "www.brandwatch.com", 2015 (Accessed February 28, 2017)

<sup>2</sup> Manoj NAKRA, *Developing Lifestyle Retail Brands*, 2006, p. 2

<sup>3</sup> Ivan ROSS, "Self-Concept and Brand Preference", *Journal of Business*, 44, 1, 1971, pp. 38-50

<sup>4</sup> Alex FRIAS, *Three Lifestyle Brands Marketers Can Look To For Inspiration*, in "www.forbes.com", 2016 (Accessed March 2, 2017)

- **Connection.** Consumers crave not only for identity, but also for a sense of community. They want to share experiences, know-how, opinions with the brands that inspire them and with people who are moved by the same interests: in other words, consumers want to feel a sense of belonging to a group driven by emotional connections. To address this phenomenon, recent literature<sup>5</sup> has introduced the concept of *brand community*, that is social groups marked by a shared consciousness, rituals and traditions, as well as a sense of moral responsibility, where consumers act as part of a brand's larger social construction<sup>6</sup>. In recent years, due to an unprecedented flourishing of online social media platforms, brand communities have grown increasingly and consumers' commitment to these groups has got stronger. Consequently, many companies today are pushed to engage in initiatives to build and foster brand communities, because – as many studies<sup>7</sup> have concluded – consumers' identification with a community results in a higher level of brand loyalty. This, eventually, leads companies to adopt a lifestyle branding strategy, building up communities around the lifestyle, tastes or interests of a target group.
  
- **Quality.** Today consumers are more demanding in terms of quality and, therefore, disposed to pay a premium for products that promise to offer higher performance and deliver a satisfying experience. Several studies<sup>8</sup> have indeed reported, through empirical analysis, that when product demand is elastic it will be positively related to quality. While most of the companies, luxury segment aside, expand their revenues through price increasing, lowering of quality and competition, today's consumers, due to a general qualitative improving of social welfare in different parts of the world<sup>9</sup>, demand quality and are also discerning in terms of value service. Lifestyle brands can fulfil this need, since they generally offer products that place themselves at a more premium, yet

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<sup>5</sup> See, for example, Albert M. MUNIZ, JR. and Thomas C. O'GUINN, "Brand Community", *Journal of Consumer Research*, 27, 4, 2001, pp. 412-432

<sup>6</sup> Albert M. MUNIZ, JR. and Thomas C. O'GUINN, "Brand Community", *Journal of Consumer Research*, 27, 4, 2001, p. 412

<sup>7</sup> See, for example, Gianluca MARZOCCHI et al., "Brand Communities: loyal to the community or the brand?", *European Journal of Marketing*, 47, 1/2, 2013, pp. 93-114

<sup>8</sup> See, for example, Michael M. MURPHY, "Quality and Consumer Demand", *The American Economist*, 24, 1, 1980, pp. 42-45

<sup>9</sup> Gulnara N. ISMAGILOVA et al., "Quality of goods, Demand and Utility", *Asian Social Science*, 10, 24, 2014, p. 163

accessible, level than standard low-cost goods.

- **Innovation.** “In our fast-moving world, consumers get bored very quickly”<sup>10</sup>, hence they constantly ask for unusual, innovative products and exciting shopping experiences. They want to be “entertained”, and therefore put pressure on brands to continuously evolve and redefine themselves. The current literature on innovation conceptualize *innovativeness* on two levels, “based on whether the subject of perception is the outcome of the firm (goods and services) or the firm itself”<sup>11</sup>. However, from the consumer’s perspective, there are three levels of abstraction, namely *consumer-perceived product, firm and brand innovativeness*<sup>12</sup>. The last one in particular is a newly introduced concept, defined by Ouellet as “consumer perceptions about a brand’s tendency to engage in and support new ideas, novelty, experimentation, and creative processes”<sup>13</sup>. Ouellet also maintains that brand innovativeness should be translated by brands “into the introduction of innovative new products or services and/or other actions such as innovative advertising, business models, distribution channels, and the like that are perceptible by consumers”<sup>14</sup>. Moreover, Pappu and Quester<sup>15</sup> argue that brand innovativeness can act as a signal to influence positively consumers’ perception of the quality of the brand, resulting in consumers developing strong brand awareness and loyalty. However, traditional methods of innovation are often not enough to satisfy customers’ needs and aspirations: it is important that companies also connect directly with their customers and involve them in generating new ideas. Nowadays, thanks to technology and brand communities, companies can interact easily with their customers, listen to their needs and foster innovation with them. In the long run, it is this *community-driven innovation* that paves the

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<sup>10</sup> James HAMMOND, *Branding your Business* (Revised Edition), Kogan Page Publishers, 2011, p. 187

<sup>11</sup> Rahil SHAMS, Frank ALPERT, and Mark BROWN, “Consumer perceived brand innovativeness: conceptualization and operationalization”, *European Journal of Marketing*, 49, 9/10, 2015, p. 1591

<sup>12</sup> *Ibid.*, pp. 1591-1594

<sup>13</sup> Jean-François OUELLET, “The mixed effects of brand innovativeness and consumer innovativeness on attitude towards the brand”, *Proceedings of the Annual Conference of the Administrative Sciences Association of Canada*, 27,3, 2006, p. 312

<sup>14</sup> *Ibid.*

<sup>15</sup> Ravi PAPPU and P. G. QUESTER, “How does brand innovativeness affect brand loyalty?”, *European Journal of Marketing*, 50, 1/2, 2016, p. 7

way for lifestyle branding, because it generates ideas and experiences by taking a broader view of customers' way of life.

- **Sustainability.** Consumers today are more ethically and socially aware than ever: they are concerned about the products they buy, what they are made from, where they are produced and how they are packaged. This awareness, fueled by the internet and social media, has led to a rise to what is known as *conscious consumption*, a social movement made of people who consider the public consequences of their private consumption and attempt to use their purchasing power to bring about social change<sup>16</sup>. Consumers feel a personal responsibility to tackle social, ethical and environmental issues and urge companies to take the lead in addressing the problem. According to a survey<sup>17</sup> conducted in 2015 by Ebiquity and Cone Communications on consumer awareness toward *corporate social responsibility (CSR)*, more than 90% of global consumers expect companies to operate responsibly to address sustainability issues besides making a profit, and around the same percentage say they would boycott a company if they learned of irresponsible or deceptive business practices. Moreover, nearly 80% of respondents said they would buy responsible products whenever possible. As shown by this study, companies are facing increasing pressure to act responsibly, and sustainability is now more than ever a requirement for every business. However, investing in sustainability should not be considered just a management need; it is also an effective way to foster innovation<sup>18</sup>. Indeed, “the quest for sustainability is already starting to transform the competitive landscape, which will force companies to change the way they think about products, technologies, processes, and business models”<sup>19</sup>. Sustainability is undoubtedly a major driver toward innovation, and the competitive advantage that derives from innovative business models pushes

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<sup>16</sup> Frederick E. WEBSTER, Jr., “Determining the Characteristics of the Socially Conscious Consumer”, *Journal of Consumer Research*, 2, 3, 1975, p. 188

<sup>17</sup> 2015 Cone Communications/Ebiquity Global CSR Study, accessible at “<http://www.conecomm.com/research-blog/2015-cone-communications-ebiquity-global-csr-study>” (Accessed March 14, 2017)

<sup>18</sup> Tensie WHELAN and Carly FINK, *The Comprehensive Business Case for Sustainability*, in “www.hbr.org”, 2016 (Accessed March 14, 2017)

<sup>19</sup> Ram NIDUMOLU et al., “Why Sustainability Is Now the Key Driver of Innovation”, *Harvard Business Review*, 87, 9, 2009, p. 59

companies to create and deliver sustainable lifestyles brands, through which consumers can fulfil their need of social accountability and environmental commitment.

## 2.2 An interpretative model

After having developed deep understanding of consumers' needs and behaviors, any company striving to establish itself as a lifestyle brand needs to focus deeply on its brand strategy. To explain how lifestyle brands are created and how they work, Saviolo and Marazza<sup>20</sup> propose an interpretative model based on three cornerstones, namely what the brand believes in (the *Background*), how the brand states it (the *Manifesto*) and the way it expresses it (the *Expression*). According to the authors, these three principles are not exclusive to lifestyle brands; however, only in lifestyle brands all the components work in harmony and create their unique value.

### 2.2.1 Finding a Vision

The first cornerstone of lifestyle brands, as theorized by Saviolo and Marazza's interpretative model, is the *Background*, based on two key elements: a set of fundamental beliefs (the *Credo* of the brand) and an interesting and authentic storytelling (the *Stories*). The *Credo*, based on a set of socially relevant values, identifies the pillars on which the brand's vision of the world is based and represents the aspirations that fuel the brand ideology. The *Stories*, capable of boosting the brand mythology and involving its users, act as a practical reflection of the *Credo*: through an authentic storytelling about the company, its products, its founder, its origin, etc. the brand can involve emotionally its followers and encourage them to support the brand's ideology.

As evidenced by this model, lifestyle brands require, first and foremost, a solid

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<sup>20</sup> Stefania SAVIOLO and Antonio MARAZZA, *Lifestyle Brands: a guide to aspirational marketing*, Palgrave Macmillan, 2012

business vision focused on consumers' needs. How consumers perceive a company is a crucial matter, therefore any company targeting people's way of life need more than anyone else to develop a personal and appealing outlook toward the future, by drafting a Vision that associates the brand's core business with the aspirations, values and identity of the target segments. To underline the strategic importance of building a solid and lasting vision, Collins and Porras<sup>21</sup> recommend a conceptual framework where vision is described as consisting of two major components: a *core ideology* and an *envisioned future*. The first component, core ideology,

defines the enduring character of an organization – a consistent identity that transcends product or market life cycles, technological breakthroughs, management fads, and individual leaders. [...] Any effective vision must embody the core ideology of the organization, which in turn consists of two distinct parts: *core values*, a system of guiding principles and tenets; and *core purpose*, the organization's most fundamental reason for existence.<sup>22</sup>

#### Developing core ideology is not a volitional process, because

you do not create or set core ideology. You *discover* core ideology. You do not deduce it by looking at the external environment. You *understand* it by looking inside. [...] Also be clear that the role of core ideology is to guide and inspire, not to differentiate. Two companies can have the same core values or purpose. [...] The authenticity, the discipline, and the consistency with which the ideology is lived – not the content of the ideology – differentiate visionary companies from the rest of the pack.<sup>23</sup>

The second component of the vision framework proposed by Collins and Porras, the envisioned future, consists of two parts: a tangible and audacious goal plus a vibrant, engaging, and specific description of what it will be like to achieve it<sup>24</sup>. As with the *Credo* and *Stories* of Saviolo and Marazza's *Background* cornerstone, the *envisioned future* acts as a direct and tangible translation of the *core ideology*, although identifying core ideology is a discovery process, while setting the envisioned future requires creative and volitional actions<sup>25</sup>.

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<sup>21</sup> James C. COLLINS and Jerry I. PORRAS, "Building Your Company's Vision", *Harvard Business Review*, 74, 5, 1996

<sup>22</sup> Ibid., p. 66

<sup>23</sup> Ibid., p. 71

<sup>24</sup> Ibid., p. 73

<sup>25</sup> Ibid., p. 75

Collins and Porras' framework reveals that a business vision involves "both a company's current mission and purpose as well as what it aspires to be or achieve in the future. In other words, vision sets a destination and plots the path to get there"<sup>26</sup>. When vision becomes an integral part of the organization, it helps pursue dreams, to change practices and strategies and, ultimately, to reach goals. For lifestyle brands, *finding* a vision that embodies the aspirations of the target segments is a key factor in establishing a successful business: if they want to win consumers' loyalty they need to build a distinctive and unique perspective on the world, based on socially relevant values, that engages consumers and makes them willing to contribute towards its realization.

### 2.2.2 Proposing a Lifestyle

When trying to establish itself as a lifestyle brand, a company needs to be sure of its goals. It has to develop a unique and clearly defined brand image, find a vision based on a strong philosophy, choose a set of values that represent specific target segments. However, settling on an identity and developing an original perspective on the world is not enough: you also need to *state* it to become identified by customers with the specific subculture you want to represent.

The second cornerstone of lifestyle brands suggested by Saviolo and Marazza's interpretative model is indeed the *Manifesto*, a public declaration of principles and intentions<sup>27</sup>. The manifesto of a lifestyle brand goes beyond the classical brand positioning and simple value proposition, and it makes the brand recognizable among its supporters. It is made up of two components, namely *lifestyle proposition* and *lifestyle codes*. The lifestyle proposition is defined as "a set of intentions and topics that originate from the Visionary Leader who established the brand, eventually becoming very important for those who share his own feeling"<sup>28</sup>. The other component of the manifesto are the lifestyle codes that the brand acquires, namely "some characteristic codes that become permanent signs communicating a particular point of

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<sup>26</sup> Christy MACLEOD, *Defining Branding Identity*, in "blog.percolate.com", 2015 (Accessed March 20, 2017)

<sup>27</sup> Stefania SAVIOLO and Antonio MARAZZA, *Lifestyle Brands: a guide to aspirational marketing*, Palgrave Macmillan, 2012, p. 65

<sup>28</sup> *Ibid.*, p. 65

view of the world”<sup>29</sup>. These codes may include logos, shapes, patterns, colors or other product details.

A lifestyle *value* proposition represents a statement to the world, that explains the kind of lifestyle the brand is offering, the benefits it provides, and how it could help achieve the vision goals. Being a successful lifestyle brand is “all about telling a customer what they want to be and how your product will help them get there”<sup>30</sup>: in other words, *stating* a lifestyle involves highlighting the flaws of target audiences’ current lifestyle and consumption patterns and consequently expressing how you are uniquely positioned to provide solutions to their lifestyle needs. Obviously, the lifestyle proposition must be based on the brand vision and should constantly find confirmation in the facts, stories and anecdotes that represent the brand mythology<sup>31</sup>. It should also constantly keep up with the lifestyle evolution of the target segments in terms of interests, opinions and attitudes to stay relevant and to allow individuals to better express their personality<sup>32</sup>.

There are countless types of lifestyles which retail brands can choose from to realize their unique lifestyle proposition: among the common ones are the *fashionable* lifestyle, the *active* lifestyle, the *healthy* lifestyle and the *back-to-basics* lifestyle<sup>33</sup>.

- **Fashionable lifestyle.** People like to wear the most fashionable clothes and decorate their homes with the coolest pieces of design. Fashion and style are means of status recognition: they express who we are and who we want to be within the social cultures of the modern world. Lifestyle brands who offer fashionable lifestyles usually starts by focusing on clothing lines that convey their unique sense of style; then they gradually extend their brand to other product categories such as accessories, footwear as well as home decorations, furniture and a wide range of other products. By doing so, they give consumers the opportunity to live a sense of fashion throughout their everyday life. Luxury

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<sup>29</sup> Stefania SAVIOLO and Antonio MARAZZA, *Lifestyle Brands: a guide to aspirational marketing*, Palgrave Macmillan, 2012, p. 70

<sup>30</sup> Timothy SOLOMON, *Using Branding to Sell a Lifestyle*, in “www.oneims.net” (Accessed March 20, 2017)

<sup>31</sup> Stefania SAVIOLO and Antonio MARAZZA, *Lifestyle Brands: a guide to aspirational marketing*, Palgrave Macmillan, 2012, p. 67

<sup>32</sup> *Ibid.*, pp. 68-69

<sup>33</sup> Ko FLOOR, *Branding a Store: how to build successful retail brands in a changing marketplace*, Kogan Page Publishers, 2006, pp. 210-218

brand Armani, for instance, does not only sells clothing but, as a lifestyle brand, also provides accessories, cosmetics, flowers, home furniture as well as owning several fashionable restaurants.

- **Active lifestyle.** It is no secret that sedentary lifestyles have a negative impact on society. Inactivity is said to be one of the major causes of health problems nowadays, while an active lifestyle based on regular physical activity, combined with a well-balanced diet, can prevent illnesses and help living a healthier and happier life. Active lifestyle brands encourage consumers across a wide range of occasions to stay active and fit, providing clothes, equipment and all kinds of products needed to perform indoor or outdoor activities. Sports retail brands such as Adidas, Nike, Puma, Decathlon, Patagonia etc. can all be included into this brand category.
- **Healthy lifestyle.** Consciousness about health and wellness is increasing among consumers and 'living healthy' is becoming a way of life. A healthy life, however, is not only about physical wellness but also about what we eat: food safety is nowadays an important issue of public concern, and sales of organic products are on the increase. Healthy lifestyle brands address the issue and, starting generally with food or cosmetics, offer consumers a way to feel safer and more satisfied with the quality of the products they buy. Large food retailers such as Whole Foods Market or Marks & Spencer, for example, have settled themselves as healthy lifestyle brands by selling not only food, but also lots of other products for a healthy life.
- **Back-to-basics lifestyle.** In today's world, life can be very stressful and consumers strive to make their life more simple and clear. Moreover, they are increasingly moving away from luxury and excessive styles, seeking soberer, 'back-to-basics' trends. Hence, a lot of lifestyle brands are adopting a 'doing more with less' kind of approach to their strategy. These brands generally choose to focus on simplicity and functionality, by offering products that go back to the essence of everyday life. Using simple materials and shapes, they create natural and authentic products that aim at improving the quality of life. Japanese

retailer MUJI and Sweden's giant IKEA are the best representatives of this category.

### 2.2.3 Branding the Store

The lifestyle proposition becomes tangible through communication activities, direct interaction with consumers and, of course, through the products or services the brand offers: these are the core elements of the *Expression*, the third cornerstone of Saviolo and Marazza's interpretative model<sup>34</sup>. Consumers have to tangibly acknowledge the promises made through the lifestyle proposition to understand the 'meaning' a brand can have for their life, and lifestyle retail brands can provide this value through a retail concept coherent to the lifestyle proposition they state. Here, the pivotal player is the store, because a store can, like a magazine, communicate specific lifestyles by presenting a wide range of product categories together in a well-conceived visual merchandising<sup>35</sup>; it also represents the touchpoint where consumers directly 'experience' the lifestyle conveyed by the brand.

Helman and Chernatony suggest that lifestyle brands create their store experience by developing a distinctive retail marketing mix, where merchandise characteristics, customer service, customer communications and trading format are regarded as functional strategies to provide sources of added value<sup>36</sup>. This retail marketing mix, in consonance with Saviolo and Marazza's *Expression*, provides a flexible framework for understanding how lifestyle brands are positioned according to the in-store experiences they tailor to appeal to their target audience.

- **Merchandising.** "The brand/customer relationship finds its peak with the product experience, but also results from the physical interaction the consumer has with the product itself"<sup>37</sup>, not only at a visual level, but on auditory, tactile and kinaesthetic dimensions as well<sup>38</sup>. The store design must therefore ensure

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<sup>34</sup> Stefania SAVIOLO and Antonio MARAZZA, *Lifestyle Brands: a guide to aspirational marketing*, Palgrave Macmillan, 2012, p. 71

<sup>35</sup> Ko FLOOR, *Branding a Store: how to build successful retail brands in a changing marketplace*, Kogan Page Publishers, 2006, p. 211

<sup>36</sup> Deborah HELMAN and Leslie DE CHERNATONY, "Exploring the Development of Lifestyle Retail Brands", *Service Industries Journal*, 19, 2, 1999, pp. 57-58

<sup>37</sup> Stefania SAVIOLO and Antonio MARAZZA, *Lifestyle Brands: a guide to aspirational marketing*, Palgrave Macmillan, 2012, p. 76

<sup>38</sup> Ibid.

that the products are shown to full advantage and benefit from the extra dimension it gives them<sup>39</sup>. To add value to the product, lifestyle brands need to focus on merchandising strategy by questioning how consumers will use the product, what will be their experience of consumption, and how could they create in-store experiences to enable consumers to understand the symbolic value of the brand<sup>40</sup>.

- **Communication.** Unlike consumer goods, where communication is primarily the art of persuasion, for lifestyle brands it is mainly the art of storytelling and inspiration, which focuses on the correct representation of the lifestyle proposition by using a highly aspirational language, generally based on image aesthetics<sup>41</sup>. That is, the store design represents an essential component of any communication strategy, because through the exterior, the interior, the lighting, the layout and the fixtures it influences consumers' perception of the brand<sup>42</sup>. In addition to the store design, the role of sales assistants is also crucial in communicating the brand values. They need to be able to demonstrate, communicate and help the consumer experience the lifestyle proposition stated by the brand<sup>43</sup>.
- **Interaction.** For many lifestyle brands, the store is where the communities of followers gather to experience, express ideas and continue the conversation about the brand<sup>44</sup>. Therefore, lifestyle retailers need to create opportunities of direct, in-store interaction with consumers that will deepen their emotional involvement towards the brand. Here again, the store staff plays a crucial role in conveying the brand's philosophy when interacting with customers.

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<sup>39</sup> Ko FLOOR, *Branding a Store: how to build successful retail brands in a changing marketplace*, Kogan Page Publishers, 2006, p. 288

<sup>40</sup> Manoj NAKRA, *Developing Lifestyle Retail Brands*, 2006, p. 5

<sup>41</sup> Stefania SAVIOLO and Antonio MARAZZA, *Lifestyle Brands: a guide to aspirational marketing*, Palgrave Macmillan, 2012, p. 72

<sup>42</sup> Ko FLOOR, *Branding a Store: how to build successful retail brands in a changing marketplace*, Kogan Page Publishers, 2006, p. 291

<sup>43</sup> Manoj NAKRA, *Developing Lifestyle Retail Brands*, 2006, p. 5

<sup>44</sup> Stefania SAVIOLO and Antonio MARAZZA, *Lifestyle Brands: a guide to aspirational marketing*, Palgrave Macmillan, 2012, p. 75

## 3. Expanding lifestyles overseas

### 3.1 Standardization vs. localization

When domestic markets become mature and/or strictly competitive, regulations and formats get perceived as limiting, or simply foreign investment is required to minimize risk<sup>1</sup>, retailers usually choose internationalization as a strategy for achieving growth. Lifestyle brands are no exception; however, to take advantage of the growth opportunities offered by the lifestyle segment in the global retail market, they must tackle specific issues and challenges. One of the main reasons for lifestyle brands to be more cautious than other brand categories when going global is the fact that while ideas, trends and movements can be universal, lifestyles hardly are: there are too many social, geographical, political, generational and cultural factors influencing people's way of life<sup>2</sup>. In fact, "on the surface a lifestyle may be the same, but how to reach those people may vary greatly within one country and between countries"<sup>3</sup>. When a company decides to go global, then, a central question to be answered is whether to *standardize* the marketing strategy or *localize* it to suit all the foreign markets that the company wants to penetrate in.

The "standardization versus localization" debate has been fueled by marketers for over four decades, giving them opposing approaches toward the task of entering and serving foreign markets<sup>4</sup>. Standardization and localization have thus become the two main polarizing points of view within the globalization field: some researchers maintain that, when initiating marketing products overseas, companies should develop a solitary marketing strategy disregarding superficial regional and national boundaries, while others argue that international managers may need to tailor the marketing mix and strategies to fit the distinctive qualities of each regional market<sup>5</sup>.

Standardization and localization both have advantages and disadvantages that have

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<sup>1</sup> Brenda STERNQUIST, *International Retailing* (2<sup>nd</sup> edition), Fairchild Books, 2007

<sup>2</sup> Tim WAGNER, *3 Keys to Creating a Global Lifestyle Brand*, in "blog.btrax.com", 2016 (Accessed March 31, 2017)

<sup>3</sup> Ibid.

<sup>4</sup> Abbott J. HARON, "Standardized Versus Localized Strategy: The Role of Cultural Patterns in Society on Consumption and Market Research", *Journal of Accounting and Marketing*, 5, 1, 2016, p. 1

<sup>5</sup> Ibid.

been extensively researched by academics and practitioners, although they “have not yet concluded what approach is best for globalization”<sup>6</sup>. Haron<sup>7</sup>, while reviewing past literature, synthesizes pros and cons of both strategic approaches. He maintains that standardization, as a global marketing strategy, allows companies to attain economies of scale by producing large quantities of standardized products, to transfer experience across different international markets, to build a uniform global image and to have easier control, monitoring and coordination of global operations, which makes it easier to implement the same quality standards, production methods and brand awareness. However, the nature of the marketing infrastructure of different regions, governmental and trade restrictions, differences in consumer interests and preferences, as well as the nature of the competitive condition itself, are all factors working against standardization strategies. On the other hand, localization allows companies to promptly respond to local needs, to deal rapidly and aggressively with local competition and to increase revenue and market share by focusing on specific consumer needs, although it limits the transfer of knowledge and experience, denies companies the opportunity to take advantage of economies of scale, makes it harder to control and coordinate international operations and limits the extent to which a uniform global image can be achieved.

The extreme schools of thought by which standardization and localization should be considered mutually exclusive strategies when developing businesses in overseas markets have been rejected by various authors, who highlight the difficulties in applying them in practice and stress the importance and necessity of incorporating elements of both approaches<sup>8</sup>. Thus, companies planning to enter foreign markets “must try on the one hand to standardize various marketing mix elements and marketing strategies, but on the other hand to follow adaptation where necessary in order to satisfy apparent market needs”<sup>9</sup>. The correct approach would be “to identify the various value chain actions within the marketing function and decide which of these can be accomplished

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<sup>6</sup> Lam NGUYEN, “Standardization versus Localization with Impacts of Cultural Patterns on Consumption in International Marketing”, *European Journal of Business and Management*, 8, 35, 2016, p. 139

<sup>7</sup> Abbott J. HARON, “Standardized Versus Localized Strategy: The Role of Cultural Patterns in Society on Consumption and Market Research”, *Journal of Accounting and Marketing*, 5, 1, 2016, p. 1-3

<sup>8</sup> Demetris VRONTIS et al., “International marketing adaptation versus standardization of multinational companies”, *International Marketing Review*, 26, 4, 2009, p. 481

<sup>9</sup> *Ibid.*, p. 482

on a global basis and which can be localized”<sup>10</sup>. However, developing a global brand with a well-defined identity and personality while still adapting to local demands is a tough challenge, especially for lifestyle brands, which build their identity around the aspirations, attitudes, personalities of specific audiences.

Lifestyle brands seeking to expand overseas should, therefore, develop an internationalization strategy that balances standardization with localization. There might be brands able to go global without much substantive change to their proposition, but for most of them adaptation is a necessary condition in order to align with local consumer demand. Roll<sup>11</sup> proposes the following guidelines to facilitate lifestyle brands’ efforts to suit global requirements while attracting local customers.

- **Researching local markets.** Each market has its own structure, made of subtleties, unique characteristics and customer preferences deeply inspired by the cultural framework provided by each region. Markets should be considered as culturally specific, and researching these underlying parameters before breaking into new environments would help companies to target consumers more effectively.
- **Defining market positioning.** When entering foreign markets, companies should develop from the very beginning a clear view of the segment they wish to target, keeping into consideration the unique mix of product category, product line, brand strategy and availability of channels. Brands should also make sure to provide customers with an offering tailored in relation to both market positioning and product ranges.
- **Choosing strategic channels.** In many markets, it may be crucial reaching the right audience at the right place, with the right product at the right time. In such context, it is important that global brands acknowledge the criticality of building strong channels and adapting their brand message to the different groups that constitute the core of the market they want to break into.

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<sup>10</sup> Abbott J. HARON, “Standardized Versus Localized Strategy: The Role of Cultural Patterns in Society on Consumption and Market Research”, *Journal of Accounting and Marketing*, 5, 1, 2016, p. 3

<sup>11</sup> Martin ROLL, *Branding and Culture - The Strategic Winning Combination*, in “www.martinroll.com”, 2014 (Accessed April 2, 2017)

- **Knowing the ‘Bottom of the Pyramid’.** This socio-economic class of consumers is generally low on resources but high on aspirations and ambitions. It is also considered to be a very profitable segment in the long run, hence lifestyle brands should not leave these consumers out of their strategy if they want to capture a long-term benefit and upside.
- **Acting local.** Consumers purchase products from many global brands, but at the same time have a strong preference for companies with a distinctive local feel. Lifestyle brands aiming to expand their market overseas should then “go global by acting local”, balancing global marketing requirements with local practices and culture.

### 3.2 Cross-cultural brand perception

Companies traditionally use *brand identity*, which refers to a firm-centered set of ethos, aims and values conveying a sense of individuality<sup>12</sup>, to differentiate from competitors and to win customer recognition<sup>13</sup>. Consumers’ brand preferences, however, are not directly influenced by brand identity, but rather by the associations a brand produces in the mind of consumers, the so-called *brand image*<sup>14</sup>. Yet, brand identity and brand image remain closely related, specifically

brand image serves as a mediator between brand identity and preference. Brand identity represents how firms *aspire* to be perceived, whereas brand image refers to how they *are* perceived. Brand identity does not directly influence consumer preferences. Rather, consumers interpret the firm's identity and translate it into an image, and the image in turn influences consumer preferences<sup>15</sup>.

The gap between the two conceptualizations is mainly due to a communicative

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<sup>12</sup> Leslie de CHERNATONY, “Brand Management Through Narrowing the Gap Between Brand Identity and Brand Reputation”, *Journal of Marketing Management*, 15, 1999, p. 165

<sup>13</sup> Jean-Noël KAPFERER, *The New Strategic Brand Management* (4<sup>th</sup> Edition), Kogan Page Publishers, 2008, p. 172

<sup>14</sup> Kevin Lane KELLER, “Conceptualizing, Measuring, and Managing Customer-Based Brand Equity”, *Journal of Marketing*, 57, 1, 1993, p. 2

<sup>15</sup> Maria SÄAKSJÄRVI and Saeed SAMIEE, “Relationships among Brand Identity, Brand Image and Brand Preference: Differences between Cyber and Extension Retail Brands over Time”, *Journal of Interactive Marketing*, 25, 3, 2011, p. 170

dissimilarity: brand identity is created by managerial activities and 'sent' from the company, while brand image is created by consumer perceptions of the brand and 'received' by target audience<sup>16</sup>.

Brand perception is constructed inside consumers' minds. Therefore, it depends on consumers' personal experience and relationship with the brand. However, various investigations<sup>17</sup> show that cultural orientation, national differences and social behaviors can influence people's psychology and, consequently, the way they perceive brands. This is a crucial issue for any company choosing the internationalization route. Thus, when going global companies must take into consideration that

brands are cultural entities, engines that live in time and space. Therefore, symbols change their meaning across countries, just as feelings and values do. [...] In these cases, the customer must be culturally equipped to understand the message. But it is also true that there are some generational transfers that are common to most countries and cultures: for example, all women want to be the most beautiful, all young people are to a certain extent 'against the establishment' and, at a certain age, all want to feel young and fit, and try to find codes that express these needs<sup>18</sup>.

When it comes to lifestyle brands, it is their culture of origin the basis of their system of values, that determines the *Manifesto*<sup>19</sup>. This entails that the lifestyle proposition will somehow represent the cultural orientation of the country where the brand was born. Hence, when marketing across cultures, lifestyle brands should preventively assess compatibility with the target country's culture and how their brand personality may be perceived once there. Most of the times, brands choose to convey a standardized brand personality<sup>20</sup>. However,

in culturally-heterogeneous markets, a brand's personality may not be perceived in a manner consistent with how a firm has designed it to be because cultural differences could influence the cultural meaning different markets assign to the brand. This lack of congruence could consequently affect the success of a firm's global marketing strategy as a consistent global image seems to be a requisite for

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<sup>16</sup> Shiva NANDAN, "An exploration of the brand identity-brand image linkage: A communications perspective", *Journal of Brand Management*, 12, 4, 2005, p. 268

<sup>17</sup> See, for example, J.L. AAKER and D. MAHESWARAN, "The Effect of Cultural Orientation on Persuasion", *The Journal of Consumer Research*, 24, 3, 1997, pp. 315-328

<sup>18</sup> Stefania SAVIOLO and Antonio MARAZZA, *Lifestyle Brands: a guide to aspirational marketing*, Palgrave Macmillan, 2012, p. 71

<sup>19</sup> Ibid.

<sup>20</sup> Thomas FOSCHT et al., "The impact of culture on brand perceptions: a six-nation study", *Journal of Product & Brand Management*, 17, 3, 2008, p. 131

a global brand to succeed<sup>21</sup>.

Understanding different cultural meanings, however, is not a simple task: the values and norms of a culture are determined in response to several factors, including prevailing political and economic philosophies, the social structure of a society, and the dominant religion, language, and education<sup>22</sup>. These parameters influence the way individuals perceive and evaluate different things: when applied to marketing measures, it implies that brands may be better perceived by the people of a culture if they are congruent to the cultural perceptions of that culture<sup>23</sup>.

When contemplating brand image differences across countries, the so-called *country-of-origin effect* should be taken into consideration as well. Like culture, the image of countries, in their role as origin of products, can influence consumers' brand evaluation, perceptions and purchasing behavior<sup>24</sup>. Indeed, as Vrontis and Thassou's research suggests,

products from positive image countries are perceived as being of higher quality compared to those from negative image countries and which are therefore usually underrated. Negative country image sets a barrier to entering and positioning in the international market, while a positive one facilitates business internationalization<sup>25</sup>.

The brand image, then, appears to be influenced by *product image*, which is made of intrinsic and extrinsic features:

intrinsic cues are those product attributes that are intrinsic to the product in the sense that they cannot be changed or manipulated without changing the physical characteristics of the product. Examples of intrinsic cues are design, taste, sound, fit, and shape. Extrinsic cues comprise attributes which are not physical. Some examples of extrinsic cues are brand name, packaging concept, store image, price. Country-of-origin may be classified as an extrinsic cue since the 'made in' label can be removed from a product without altering its physical characteristics<sup>26</sup>.

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<sup>21</sup> Thomas FOSCHT et al., "The impact of culture on brand perceptions: a six-nation study", *Journal of Product & Brand Management*, 17, 3, 2008, p. 131

<sup>22</sup> Charles W. L. HILL, *International Business: Competing in the Global Marketplace* (9<sup>th</sup> Edition), McGraw-Hill, 2013, p.103

<sup>23</sup> Thomas FOSCHT et al., "The impact of culture on brand perceptions: a six-nation study", *Journal of Product & Brand Management*, 17, 3, 2008, p. 132

<sup>24</sup> Adina CRISTEA et al., "Country-of-Origin Effects on Perceived Brand Positioning", *Procedia Economics and Finance*, 23, 2015, p. 422

<sup>25</sup> Demetris VRONTIS and Alkis THRASSOU, "Adaptation vs. standardization in international marketing – the country-of-origin effect", *Innovative Marketing*, 3, 4, 2007, p. 13

<sup>26</sup> Ibid.

Among extrinsic features, *store image* can be particularly important for retail brands choosing the international expansion route, since for most consumers the first contact with the brand occurs in its physical stores. This is also a traditional commonplace of lifestyle brands, where product marketing, merchandising, and the store environment in general, act as essential drivers of consumer perceptions. Understanding store image is a complicated process, yet vitally important for global retail managers: in fact, congruence between the objectives of market-positioning strategies and consumer perception of the store image are crucial factors in determining customer loyalty to a retail brand<sup>27</sup>.

Store image comprise both tangible (or functional) and intangible (or symbolic) elements, the most significant ones being *merchandise, service, clientele, physical facilities, convenience, promotion, store atmosphere, institutional factors and post-transactional satisfaction*<sup>28</sup>. The interplay of these elements and the customers' overall interpretation of them, based upon previous knowledge and experiences, are widely believed to determine store image<sup>29</sup>. Most notably, products' tangible and intangible attributes represent a key factor. According to Hirschman's study on stimulus attributes,

a tangible attribute is one which arises directly from the product and may be detected by the individual through one or more of the five senses. Hence, product attributes which may be seen, touched, heard, tasted or smelled are tangible attributes. Such attributes are objective characteristics of a product because they exist independent of the mind and are derived from sensory perception. [...] Unlike tangible attributes [...], intangible attributes exist only within the mind of the individual and are mentally rather than physically associated with the product. They are not corporeal or palpable; yet they may be used by consumers to comprehend and classify the product. Intangible attributes are subjective, in nature. That is, they are determined by the mind as the result of experience, they arise from the subject who is observing rather than the object which is being observed<sup>30</sup>.

**When marketing across cultures, the tangible attributes will remain basically the same, since store formats and products are generally identical to those of the original country,**

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<sup>27</sup> M. BRUCE, C. MOORE and G. BIRTWISTLE (Edited by), *International Retail Marketing: A Case Study Approach*, Elsevier, 2004, pp. 189-190

<sup>28</sup> Jay D. LINDQUIST, "Meaning of image: Survey of Empirical and Hypothetical Evidence", *Journal of Retailing*, 50, 4, 1974, pp. 30-32

<sup>29</sup> Steve BURT and Jose CARRALERO-ENCINAS, "The role of store image in retail internationalization", *International Marketing Review*, 17, 4/5, 2000, p. 436

<sup>30</sup> Elizabeth C. HIRSCHMAN, "Attributes of Attributes and Layers of Meaning", in *NA - Advances in Consumer Research*, 7, 1980, p. 9

while the intangible attributes will likely change, because of the influence of local cultural and social contexts. Thus, retail companies “need to fully understand the importance of image in competitive positioning and the components of store image before attempting to replicate this image and positioning overseas”<sup>31</sup>.

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<sup>31</sup> Steve BURT and Jose CARRALERO-ENCINAS, “The role of store image in retail internationalization”, *International Marketing Review*, 17, 4/5, 2000, p. 433

## 4. Case Study: MUJI



◆ Figure 1 – MUJI logo  
(Source: <https://en.wikipedia.org/wiki/Muji>)

### 4.1 Background

MUJI, in Japanese 無印良品 (*Mujirushi Ryōhin*), literally “no-brand quality goods”, is a lifestyle retail brand managed by Japanese wholesaler and retailer 良品計画 (*Ryōhin Keikaku*). It operates 452 stores domestically (362 directly controlled by the company plus 90 licensed to partners) and 418 stores overseas, for a total of 28 countries and regions served (as of February 2017)<sup>1</sup>. With its 870 stores around the world, MUJI today carries more than 7,000 products in categories supporting the core areas of daily life, including clothing, furniture, household goods, food and even houses. Yet, the number of products developed and offered by the company keeps increasing every year, reflecting MUJI’s strategy of presenting a total lifestyle toward consumers<sup>2</sup>.

MUJI was originally established in Japan as a private brand by Seiyu, one of the country’s biggest General Merchandise Store (GMS) chains, in 1980 and started its business with just 40 product items (9 household articles and 31 food products). At that time, following the oil crisis in the 1970s, Japanese consumers were beginning to express their concerns about environmental protection, showing a clear preference for simple and functional products that matched their values. GMS chains, leaders of the Japanese retail market, therefore started to review product planning policies and, eventually, many of them started creating private labels to differentiate their offerings. Seiyu followed the trend and decided to establish a private brand with an innovative retail format based on different categories of household goods, food and, shortly after, apparel with low to adequate pricing and an eye on sustainability.

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<sup>1</sup> Ryōhin Keikaku Corporate Information, in “<https://ryohin-keikaku.jp/eng/corporate/>” (Accessed April 17, 2017)

<sup>2</sup> John DAWSON and Masao MUKOYAMA, *Global Strategies in Retailing: Asian and European Experiences*, Routledge, 2014, p. 154

The first stand-alone MUJI store was opened in 1983 in the fashionable Aoyama district of Tokyo, where it could establish a strong image and be the antenna for sensing new consumer trends<sup>3</sup>. It was also an effective showroom for buyers, eventually succeeding in attracting media attention that helped building brand awareness exponentially. In those years, MUJI also started spreading its 'shop-in-shop' retail format into Seibu department stores and Seiyu branches, expanding its domestic store network and achieving great success among Japanese consumers pursuing a more basic lifestyle and aware of the trade-off between quality and price.

In 1989, after nearly a decade since its birth, MUJI was separated from Seiyu, and Ryōhin Keikaku was established as the brand's operational base. In the following year, Ryōhin Keikaku gained independence from the parent company and began its transition from a store brand to a corporate brand. In 1991, Ryōhin Keikaku opened its first overseas MUJI store in London, and four years later the stock of the company was placed on the over-the-counter market. Then, in 1998, the stocks were listed on the Second Section of Tokyo Stock Exchange. In the 1990s, when the Japanese economy was suffering a prolonged recession following the outburst of the economic bubble, MUJI had positive feedback and support from consumers who wanted to focus on simple, yet functional, products for their everyday life, and flourished while others floundered.

However, in 2001 the brand fell into an unprecedented financial crisis. Due to internal factors and a series of strategic mistakes, as well as the rising competition from brands that were better adapted to the rapidly changing domestic market, MUJI's stock price dropped more than 80%. Then, under the leadership of a new president, Tadamitsu Matsui, the company underwent a complete revival of its domestic business, eventually resulting in a full recovery in 2005. At the same time, MUJI regained awareness of the many possibilities offered by foreign markets, and has been investing heavily in overseas activities ever since. By the end of fiscal 2017, for the first time, the company is expected to have more locations abroad than in Japan<sup>4</sup>.

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<sup>3</sup> Ikujiro NONAKA et al., *Managing Flow: A Process Theory of the Knowledge-Based Firm*, Palgrave MacMillan, 2008, p. 158

<sup>4</sup> Nikkei Asian Review, *Muji ramps up Chinese expansion*, in "asia.nikkei.com", 2017 (Accessed April 17, 2017)

## 4.2 Business Model

### 4.2.1 Brand philosophy

The 'reason why' of MUJI is to pursue the essence of things by rethinking the world with a new, natural consciousness, and to make people all around the world feel a rational sense of satisfaction and appreciate the aesthetic richness that lies in simplicity, through good products that embody that dedication. "There is no one answer to what a good product is. Simply asking the question, though, creates infinite possibilities, and we pursue them"<sup>5</sup>: this is the MUJI Vision. Asking "What is MUJI?", sharing opinions with people and seeking new appeal from the customers' viewpoint is what makes MUJI products, and constitutes its core philosophy in times of constant change.

MUJI's mission is to provide people throughout the world with a simple, pleasant life that embodies values of *nature, humanity, moderation* and *self-restraint* by offering versatile, high quality and environmentally-friendly products designed with no extra complexity. Through a natural and simple product design, MUJI proposes a rational lifestyle for today's world, where consumers have been confused by the active promotion undertaken by abundant brands<sup>6</sup>. MUJI's focus is to offer *simplicity, harmony, pleasure* and *beauty* to its customers, and to contribute to a greater community and a healthier Earth through the businesses in which it engages.

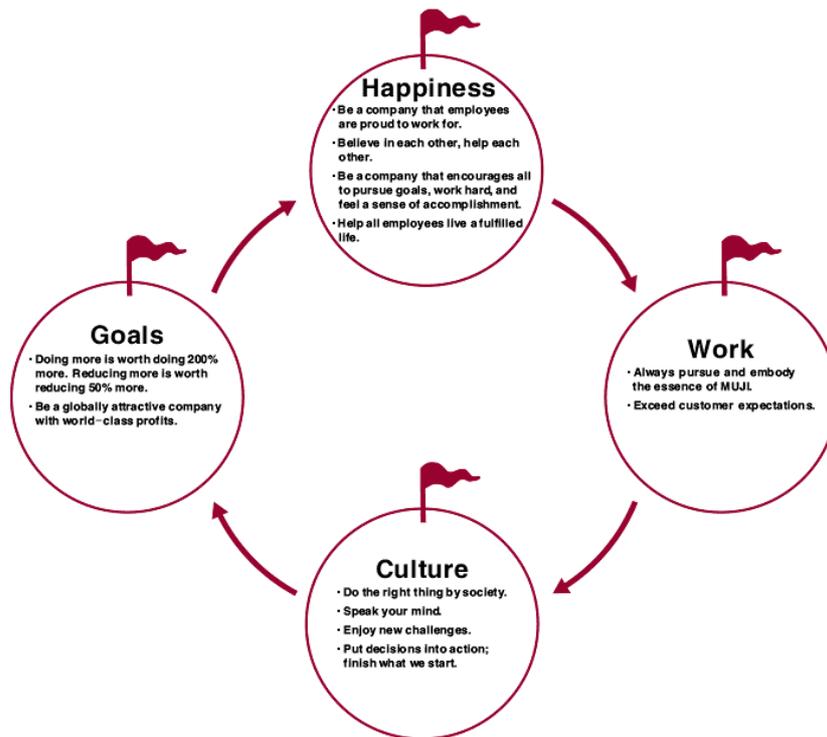
MUJI stands for good products that exist for good reasons, capable of generating an ideal sense of satisfaction in customers, helping them understand the beauty of living in elegant simplicity. "Loyalty and honesty, concern for others, cultivating relationships of trust, thinking about how we affect our world and the world, challenging ourselves to go a bit further, finishing what we start"<sup>7</sup>: these are the main values that constitute the foundation of MUJI and spurs the brand toward its goals. Driven by this vision, MUJI take the challenges of global improvement and sustainability while conducting a fair, honest and transparent business.

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<sup>5</sup> Ryōhin Keikaku Corporate Information, in "<https://ryohin-keikaku.jp/eng/corporate/philosophy/>" (Accessed April 17, 2017)

<sup>6</sup> John DAWSON and Masao MUKOYAMA, *Global Strategies in Retailing: Asian and European Experiences*, Routledge, 2014, p. 156

<sup>7</sup> Ryōhin Keikaku Corporate Information, in "<https://ryohin-keikaku.jp/eng/corporate/philosophy/>" (Accessed April 18, 2017)



◆ Figure 2 – MUJI brand values

(Source: <https://ryohin-keikaku.jp/eng/corporate/philosophy/>)

#### 4.2.2 Business concept

MUJI adopts a *no-brand*, or *anti-brand*, business strategy. Just as its name asserts, MUJI is a brand with no labels. Inside MUJI stores the brand name is always displayed, however there is no brand logo printed on its products. This has been a constant since the very beginning. In the 1980s, when Japan was in the peak of consumerism and the market was packed with over-embellished, expensive brands, MUJI stood out from the crowd by relying not on labels, but just on product quality to appeal to consumers. It represented a fresh antithesis against the heavy consumption culture of those times. Still, MUJI's *anti-brand* strategy has, either consciously or not, eventually led this *non-brand* to become a profitable brand itself<sup>8</sup>.

Starting with the *no-brand* strategy, MUJI defies conventional marketing and, instead, makes use of original approaches to reach consumers. For instance, it refuses the traditional marketing model of STP (Segmentation, Targeting, Positioning). MUJI's

<sup>8</sup> Jennifer LEE, *The Inside Joke Behind the Muji 'Brand'*, in "<https://cityroom.blogs.nytimes.com/>", 2007 (Accessed April 19, 2017)

target audience is often believed to be people (mostly women) aged 20 – 40, however MUJI’s catalogue is not limited to that. In fact, MUJI does not aim at creating products to attract responses of strong affinity. Rather, it focuses on offering products that can adapt perfectly to anyone’s needs, no matter which household they live in, no matter who they are. That is, MUJI does not limit its target, but aims at creating solutions for everyone’s needs.

MUJI’s goal is to give customers a rational satisfaction, expressed – to say in the brand’s own words – not with, “*This is what I really want*” but with “*This will do*”<sup>9</sup>. MUJI’s ideology of “*This will do*” takes a clear distance from the traditional marketing approach. This ideology could alternatively be explained as “keeping just one step ahead of personality”<sup>11</sup>: when products are designed with only essential features, with an eye to providing functionality, without embodying the tastes of specific customer segments, instead of developing a ‘personality’ they eventually turn into *multi-purpose* objects, and the number of consumers that can benefit from them, as well as their uses, will remarkably increase.

To appeal to consumers only through the essence of products, MUJI focuses on delivering well designed quality products at affordable prices. Since its foundation, the brand has adopted the catchphrase “*Lower priced for a reason*”, and has carefully kept reporting on the price tag every single reason behind the product affordability. To reduce manufacturing costs without altering the essence of products, while remaining environmental-friendly, MUJI grounds its operational foundation on three basic principles<sup>11</sup> of product development:

- **Selection of materials.** MUJI takes a second look at basic manufacturing materials not commonly used by other companies, such as industrial materials, local materials from around the world, leftover materials, and bulk materials;
- **Streamlining of processes.** MUJI pays close attention to its manufacturing process, eliminating processes that do not affect product quality such as

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<sup>9</sup> What is MUJI?, in “<http://www.muji.com/us/feature/whatismuji/>” (Accessed April 19, 2017)

<sup>10</sup> Akiko MASUDA, *MUJI Shiki Sekai De Ai Sareru Marketing* (The Worldwide Loved MUJI-Style Marketing), Nikkei Business Publications, 2016, p. 40 / 増田明子、「MUJI 式 世界で愛されるマーケティング」、日経 BP 社、2016 年

<sup>11</sup> Ryōhin Keikaku Corporate Information, in “<https://ryohin-keikaku.jp/eng/csr/>” (Accessed April 19, 2017)

unnecessary finishing, sorting or sizing, and leaving only those that are necessary for a quality product;

- **Simplification of packages.** MUJI simplifies packaging, using only bulk packaging and placing products in plain, uniform containers that preserve natural resources and reduce waste while streamlining production as well.

MUJI does not have any factories of its own. Instead, production gets outsourced to contract manufacturers all around the world. So, basically, it gets the articles produced and then it sells them as its own through MUJI stores. Unlike traditional retailers that stock and sell already existing articles, it conducts its business using a SPA (*Specialty Store Retailer of Private Label Apparel*) business model<sup>12</sup>, where the brand oversees every aspect of the manufacturing and retail process, including material procurement, design, product development, production, distribution, promotion, inventory management, and final sales<sup>13</sup>. In addition, MUJI takes the responsibility to conduct quality controls over the articles it sells, and sets strict quality standards (named *Good Product Standards*) for every product category<sup>14</sup>. Only products that meet those standards are then sold as MUJI products.

Every MUJI product is designed and developed directly by the brand and, except for licensed shops, cannot be found elsewhere but in MUJI stores. Since MUJI is not a manufacturer, however, it relies prominently on external companies to get the technological R&D needed for the creative process. As for the product design, new products are generally developed while having the already existing ones in mind, and thinking how they can be made easier to use in everyday life. MUJI products are never attributed to individual designers: while the brand has sometimes stated that some of its products are created by famous international designers, it never discloses who they are<sup>15</sup>. Moreover, MUJI takes the viewpoint of consumers by listening carefully to their direct voice or observing them at home when developing new products, so that it can

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<sup>12</sup>This model was first successfully adopted by American fashion retailer GAP. In Japan, it was first introduced by clothing giant UNIQLO.

<sup>13</sup>Huijuan DU et al., *The Analysis of the SPA Apparel Company Strategy*, Atlantis Press, 2015, p. 726

<sup>14</sup>Ryōhin Keikaku Corporate Information, in "<https://ryohin-keikaku.jp/eng/csr/>" (Accessed April 19, 2017)

<sup>15</sup>Paul GLADER, *Muji Executive Kei Suzuki On Future Growth of Japan's 'No Brand' Retailer*, in "[www.forbes.com](http://www.forbes.com)", 2014 (Accessed April 19, 2017)

eventually offer innovative products that leave room for anyone's individuality. These principles, along with the brand's anonymousness, antithetical nature and pursued universality, mark the keys to MUJI's branding strategy<sup>16</sup>.

#### 4.2.3 Corporate activity

**MUJI retail business.** Retail activity is MUJI's main business. Through its stores, it offers a catalogue of over 7,000 items supporting the core areas of daily life, mainly revolving around three main categories: *Household* (furniture, kitchen items, stationary, plants, healthcare and beauty products, etc.), *Food* (instant food, snacks, drinks, homemade kits, refreshments, etc.) and *Apparel* (Men's and Women's fashion, shoes, accessories, bags, etc.).



◆ Figure 3 – A MUJI Retail Store

(Source: <https://www.muji.com/tw/flagship/taichung/ja.html>)

**Café & Meal Business.** MUJI operates bakery cafes and restaurants with the aim of offering a wide selection of healthy, tasty foods at reasonable prices, prepared with only fresh and natural ingredients carefully selected.

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<sup>16</sup> Paul GLADER, *Muji Executive Kei Suzuki On Future Growth of Japan's 'No Brand' Retailer*, in "www.forbes.com", 2014 (Accessed April 19, 2017)



◆ Figure 4 – A Café & Meal MUJI  
(Source: <https://www.muji.com/jp/flagship/nagoya-meitetsu/>)

**MUJI Campsites.** MUJI operates three campsites in Japan, for a combined total of 230 hectares of forest, where it offers hands-on workshops, farming activities, regional crafts as well as camping for beginners. These outdoor activities are usually handled by local people and are aimed at letting participants, especially kids, understand the natural environment.



◆ Figure 5 – A MUJI campsite  
(Source: <https://www.muji.net/camp/tsunan/>)

**MUJI House.** This business brings the MUJI style of living to home design. MUJI House proposes adaptable residential housing with a design concept that minimizes waste while providing maximum flexibility at affordable housing prices.



◆ Figure 6 – A MUJI House prototype

(Source: <https://www.muji.net/ie/modelhouse/wakayama/>)

## 4.3 Marketing Mix

### 4.3.1 Product

The basis of MUJI's product strategy is to create products that are truly fundamental to everyday life without any unnecessary complexity. To achieve this, the brand takes a second look at often neglected materials, streamline the production process, and simplify packaging to create simple, yet beautiful, products that people could appreciate for years<sup>17</sup>. MUJI's product design focuses on the basics, emphasizing the use of natural colors and materials of good quality. This simplicity is aimed at

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<sup>17</sup> Ryōhin Keikaku Corporate Information, in "<https://ryohin-keikaku.jp/eng/csr/>" (Accessed April 22, 2017)

conveying the texture and high qualities of the material, while colors are limited to natural ones such as white, black, brown, beige, and textile prints are either in checks or stripes<sup>18</sup>. Materials, design, as well as packaging follow strict product guidelines to maintain MUJI's core concept.



◆ Figure 7 – A selection of MUJI products  
(Source: <https://www.muji.net/message/2010.html>)

As a reflection of its *no-brand* strategy, MUJI does not put the brand name on its products. That is, the brand logo is generally not printed or sewn directly on products, although being usually displayed on the price tag seal. However, as soon as the seal is removed, the product becomes a no-logo, anonymous product. When the brand name needs to be printed on the product itself, for example on cosmetics, the information and brand logo are always put on the back of the container, with the idea that, when using the product, the brand does not show up. Moreover, MUJI does not use unnecessary wrapping, decorations, or extra frills to appeal to consumers. In other words, it aims at being chosen by consumers not for mere peripheral attributes, but for the essential value of the product itself. MUJI's *no-brand* strategy, thus, indicates the

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<sup>18</sup> Ikujiro NONAKA et al., *Managing Flow: A Process Theory of the Knowledge-Based Firm*, Palgrave MacMillan, 2008, p. 160

brand's confidence in the quality of its products and implies that consumers do care for essential, yet functional, products.

As for product development, there are four basic principles of the MUJI concept that need to be met so that a product can be developed and offered to consumers. Moreover, all existing products are also regularly reviewed for adherence to these guidelines and, if necessary, improved and refined. These principles are known as the "4 Rs": *Raw, Recombination, Reasonability, Reconditioning*<sup>19</sup>.

- **Raw:** the raw material feel (emphasizing sensations and *no-brand*);
- **Recombination:** all-purpose (translating into intelligence and freedom);
- **Reasonability:** easy to understand (highlighting logic and comprehension);
- **Reconditioning:** not damaging to the environment and health (in tune with the times).

Another notable hallmark of MUJI's product development is the process of collecting knowledge externally from customers and collaborators, and incorporating these ideas into concrete products<sup>20</sup>. This overall process of asking for external user participation before commencing any development or production, known as *collective customer commitment*, helps MUJI avoid costly product failures and, at the same time, reach consumers with products they truly need<sup>21</sup>.

### 4.3.2 Price

MUJI prides itself for delivering high quality products at affordable prices, as encapsulated by the brand's catchphrase "*Lower priced for a reason*". Moved by a *value-for-money* philosophy, its aim is to provide the right balance between quality and price. In Japan, MUJI applies a clear cost leadership strategy: through its grounding principles of production efficiency, streamlining of processes, and minimum advertising, it manages to offer high quality products at relatively low prices, often competitive when

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<sup>19</sup> Ikujiro NONAKA et al., *Managing Flow: A Process Theory of the Knowledge-Based Firm*, Palgrave MacMillan, 2008, p. 160

<sup>20</sup> Ibid.

<sup>21</sup> Susumu OGAWA and F. T. PILLER, "Reducing the Risks of New Product Development", *MIT Sloan Management Review*, 47, 2, 2006, pp. 65-71

compared to other retailers. MUJI's policy of not disclosing the identity of its designers may be also considered a key factor in determining MUJI's products affordability, since the inclusion of the designer name would result in an unavoidable price increase.

As opposed to the domestic market pricing strategy, when operating in overseas markets such as Europe, China, U.S.A., etc. MUJI seems to apply a differentiation strategy, by selling its products at premium prices. However, while to a certain extent MUJI is indeed evaluated as a premium brand by overseas customers<sup>22</sup>, the overpricing occurring in foreign markets is just due to export costs such as freight, custom duties, taxes, etc. that add difference between the retail prices of MUJI overseas and MUJI in Japan, rather than being a well-conceived positioning strategy. In fact, one of MUJI's current strategic objectives is to make the price more consistent globally, that is to make it the same as in Japan so that MUJI products can be affordable for all customers around the world<sup>23</sup>.

### 4.3.3 Place

MUJI products are distributed through three retail channels: directly through MUJI stores, through licensed stores and convenience stores, and through MUJI online store.

**Retail stores.** MUJI stores are designed to support the brand's products and philosophy: through a basic, essential Japanese architectural style they emphasize natural elements as well as the compact and organized vision of a simple lifestyle. The store ambiance is relaxing and delivers emotional benefits, the background music is soothing, the setting is very different from the loud visuals and sounds that come with a visit to other retail brands<sup>24</sup>. The shopping experience at MUJI is simple, offering a streamlined environment that facilitates ease and accessibility. MUJI stores are generally situated in the city center, either as stand-alone stores or inside shopping centers and malls. They are rarely situated in prime locations or near luxury brand

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<sup>22</sup> Especially in other Asian markets such as China and India

<sup>23</sup> Paul GLADER, *Muji Executive Kei Suzuki On Future Growth of Japan's 'No Brand' Retailer*, in "www.forbes.com", 2014 (Accessed April 24, 2017)

<sup>24</sup> David A. AAKER, *Brand Relevance: Making Competitors Irrelevant*, Jossey-Bass, 2011, p. 72

stores, preferring instead places where young families live<sup>25</sup>. Beside the traditional store format, the company has also developed the “MUJI to GO” and “MUJI com” small-format stores to enrich the MUJI experience. These are small size, compact stores located in high-traffic areas such as stations and airports, and mainly stock last-minute goods. “MUJI to GO” shops feature selected items that are useful for travel, commuting, and business, while “MUJI com” sells a selection of daily necessities from all categories. To satisfy its need for large amounts of floor space and to keep the glitz of shopping districts at a distance, MUJI basically locates new large-scale stores on higher or lower floors of shopping centers, where foot traffic is less intense. This makes the small-scale store format of “MUJI to GO” and “MUJI com” an essential part of the company’s strategy to provide as widely as possible high-quality everyday commodities at affordable prices.



◆ Figure 8 – A MUJI to GO shop

(Source: [https://ryohin-keikaku.jp/corporate/pdf/2016\\_je.pdf](https://ryohin-keikaku.jp/corporate/pdf/2016_je.pdf))



◆ Figure 9 – A MUJI com shop

(Source: [https://ryohin-keikaku.jp/corporate/pdf/2016\\_je.pdf](https://ryohin-keikaku.jp/corporate/pdf/2016_je.pdf))

**Licensed stores.** MUJI products are also available at selected licensed stores across the globe. In Japan, a wide assortment of MUJI products can be found at FamilyMart convenience stores, including popular stationary, skincare items, food products and underwear.

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<sup>25</sup> Gouri SHAH, *MUJI president Satoru Matsuzaki on branding the unbranded*, in “www.livemint.com”, 2016 (Accessed April 25, 2017)

**Online store.** Customers can buy MUJI products at any time through MUJI's official online store *muji.net*, where they can also check product availability and campaigns. Aside from selling its product and providing special offers to consumers, MUJI uses this site to communicate with customers, and to provide useful information about the MUJI community. MUJI sells products online only through its own website, and does not make use of any other e-commerce platform.

#### 4.3.4 Promotion

In line with its low-cost, no-frills strategy, MUJI spends very little on traditional advertising. Instead, it majorly relies on word-of-mouth to spread the brand concept among consumers, and this *no-advertisement* policy has been effective since the brand's foundation. Today, MUJI focuses on reaching consumers through press, inviting people in the media to in-store events, exhibitions and lectures that demonstrate the thought behind MUJI products<sup>26</sup>. The store experience is the greatest vehicle of brand awareness the company holds: for this reason, MUJI invests most of its resources into creating an in-store environment that tells the brand's story and concept simply by "showing"<sup>27</sup>. In addition, MUJI employees are always encouraged to tell customers about the company vision and philosophy throughout the store<sup>28</sup>.

To get in touch directly with customers, MUJI has also been making use of social media platforms since 2009. On these avenues, the brand keeps a consistent communication strategy with simplistic attributes and a neutral color scheme. Posts on social media such as Facebook and Twitter are always kept short and strict to the point, there are no frills or anything flashy. Additionally, since May 2013, MUJI has introduced "MUJI passport", a mobile application that consumers can use to interact with the brand, as well as earning reward points, when shopping in physical stores or online. Through the application and the use of social media, MUJI aims at cutting back on costs while making its promotional strategy more effective.

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<sup>26</sup> Paul GLADER, *Muji Executive Kei Suzuki On Future Growth of Japan's 'No Brand' Retailer*, in "www.forbes.com", 2014 (Accessed April 27, 2017)

<sup>27</sup> Meg MILLER, *How MUJI fuels its explosive growth without Ads*, in "www.fastcodesign.com", 2016 (Accessed April 27, 2017)

<sup>28</sup> Ibid.

## 4.4 International expansion

The international expansion of MUJI started in 1991, when the company opened its first international stores in London (July) and in Hong Kong (November). At that time, a global development strategy was put in place targeting mainly Europe, where consumption was fully matured, and Asia, where it was still maturing<sup>29</sup>. There were some important reasons that motivated MUJI to undertake international expansion: first, MUJI had to expand its sales channels and to secure a certain size of production order to maintain the profitability of each product; second, MUJI wanted to conduct its sourcing through the 'develop-and-import-scheme', in which a company consigns most of the production to its affiliated factories in foreign countries; third, MUJI had inquiries for supplying products from many foreign buyers who visited Japan since shortly after its debut, and such inquiries brought about the positive attitude toward its international business<sup>30</sup>.

After over two decades of international ventures, both positive and negative, MUJI has established itself as a global retailer, building considerable brand awareness across different markets. Currently, MUJI operates 418 stores in 28 foreign countries and regions such as Europe, China, and North America. Only a few other Japanese retailers can boast a global expansion as wide as MUJI's, whose overseas business has grown exponentially, particularly in Eastern Asia markets, and accounted for 35.4 per cent of net sales and 35.5 per cent of operating profit respectively in 2015<sup>31</sup>.

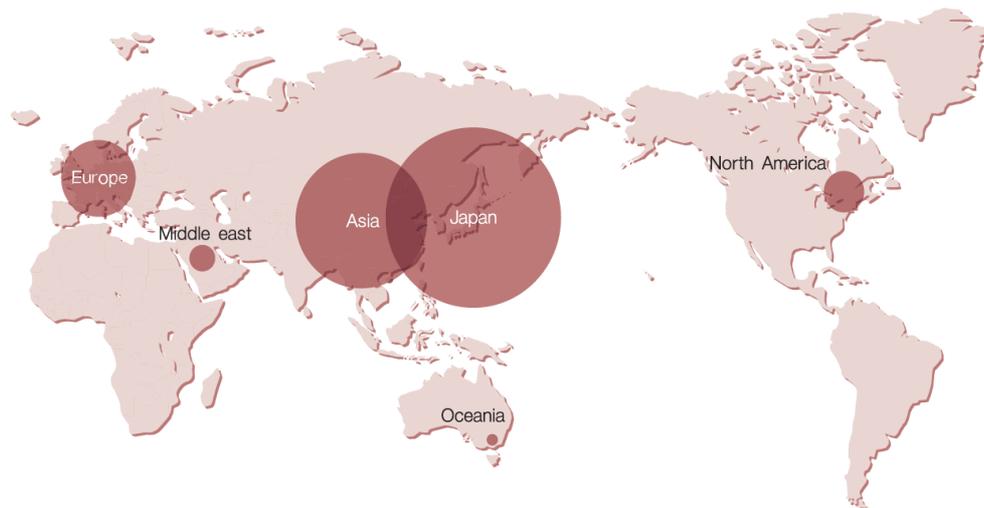
MUJI started its global expansion choosing joint ventures as preferred entry mode. Establishing an international joint venture is, indeed, an appealing way to access to unfamiliar foreign markets, since it allows global companies to share risks and costs of entry by partnering with a local company who knows the market's opportunities and threats. Moreover, this entry mode provides retailers with chances to access to greater resources, including distribution networks, specialized staff, technology and finance offered by the partners. As its major entry formula, MUJI uses organic expansion, a strategy that allows retailers to maintain complete control over the international venture,

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<sup>29</sup> Ikujiro NONAKA et al., *Managing Flow: A Process Theory of the Knowledge-Based Firm*, Palgrave MacMillan, 2008, p. 158

<sup>30</sup> John DAWSON and Masao MUKOYAMA, *Global Strategies in Retailing: Asian and European Experiences*, Routledge, 2014, p. 161

<sup>31</sup> Ryōhin Keikaku Annual Report 2016, in "[https://ryohin-keikaku.jp/eng/balance/pdf/annualreport\\_2016\\_e.pdf](https://ryohin-keikaku.jp/eng/balance/pdf/annualreport_2016_e.pdf)" (Accessed April 28, 2017)



◆ Figure 10 – MUJI global presence (FY 2015)  
 (Source: [https://ryohin-keikaku.jp/corporate/pdf/2016\\_je.pdf](https://ryohin-keikaku.jp/corporate/pdf/2016_je.pdf))

while helping to manage corporate identity and brand image by replicating domestic operations<sup>32</sup>. However, this approach needs in-depth market research before making investment, and that takes adequate time, therefore the international growth of MUJI now follows a more gradual expansion process in terms of its speed and scope<sup>33</sup>. Nowadays, MUJI is also making use of licensing as a complementary entry mode to reach selected target markets. This is a quick, low risk entry into foreign markets, allowing global retailers to make easily cross-border operations without major capital requirements. Overall, MUJI’s tactical selection of entry modes has played a crucial role in its geographical expansion<sup>34</sup>.

MUJI aims at universality, and to embrace the feelings and thoughts of all people it approaches foreign markets in a standardized manner. Its value proposition, represented by store design, layout, ambience, assortment and customer service, etc. is almost totally consistent in every market: although MUJI stores overseas might handle a slightly different assortment from those in the domestic market, the overall offering that is created by MUJI’s retailing mix, including basic assortment, price and

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<sup>32</sup> John DAWSON and Masao MUKOYAMA, *Global Strategies in Retailing: Asian and European Experiences*, Routledge, 2014, p. 168  
<sup>33</sup> Ibid.  
<sup>34</sup> Ibid.

store environment, is delivered uniformly everywhere<sup>35</sup>. Nevertheless, MUJI mitigates its standardization strategy by slightly adjusting its product strategy for each market according to local needs. In fact, MUJI aims at providing flexible responses to the diversity of local customers and environments through its international store operations. To achieve that goal, the brand encourages its foreign subsidiaries to think, develop and sell locally made products, while eliminating intermediate distribution processes from the supply chain<sup>36</sup>.

## 4.5 MUJI and Japan

In 1988, MUJI's first art director Ikko Tanaka and marketing consultant Kazuko Koike published the *MUJI Book*, a manual created to explain the MUJI vision and philosophy. Through a gathering of photographs, intellectual explanations, and academic contributions, the manual depicts the foundation of Japan's traditional values as embodied by MUJI: "Natural", "Unpretentious", "Simple" and "Global"<sup>37</sup>. This way of thinking sets the basis for MUJI's brand concept and fuels its aim of delivering a pleasant life that is rooted in Japanese basics but meant to be worldwide<sup>38</sup>.

- **NATURAL.** Japanese people are very sensitive to nature and consider it a being they coexist with, to cherish and respect. This view on nature influences every MUJI product: notably, the brand uses only natural coloring and materials for its range. By eliminating industrial coloring processes and carefully selecting materials, not only it makes the price more affordable, but with the authentic colors of nature it also increases the product's appeal.
- **UNPRETENTIOUS.** MUJI takes good care of traditional Japanese patterns, motifs and crafting techniques. For MUJI, the beauty of products does not lie on

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<sup>35</sup> John DAWSON and Masao MUKOYAMA, *Global Strategies in Retailing: Asian and European Experiences*, Routledge, 2014, p. 162

<sup>36</sup> Ibid.

<sup>37</sup> Ryōhin Keikaku Corporate Information, in "<https://ryohin-keikaku.jp/eng/corporate/philosophy/>" (Accessed April 29, 2017)

<sup>38</sup> Ibid.

the reputation of famous artists, but on the expertise of anonymous creators who make use of traditional processes. Respect of tradition and humbleness are two solid values implied in Japanese culture.

- **SIMPLE.** Creating simple products is MUJI's main guideline of product design. The ability of creating spaces in a simple and easy way by combining a few elements together, for example just a couple of *fusuma* and *tatami*, is a typical Japanese feature and it can be found in most of MUJI products' conception.
- **GLOBAL.** MUJI develops its products by observing respectfully the everyday life of people from all over the world, not just Japan. MUJI products are created by learning from the world and meant to be delivered to the world.



**Natural. Unpretentious. Simple. Global.**

◆ Figure 11 – MUJI's Japanese values

(Source: <https://ryohin-keikaku.jp/eng/corporate/philosophy/>)

Inside the MUJI concept there is also a clear expression of the “*Japaneseness*” connected to Zen Buddhism and the tea ceremony<sup>39</sup>. In fact, when looking into Zen and tea ceremony books, many concepts that closely resemble MUJI can be spotted. This is probably because Ikko Tanaka, who was greatly involved in the birth and concept creation of MUJI, had a keen appreciation of tea culture and the tea

ceremony<sup>40</sup>. His design work grounded in tradition, and it seems clear that this approach has been deeply incorporated into the conception of MUJI as well. The traditional tea ceremony room appears as an empty container: the essence of the tea ceremony changes according to what is let in and how the procedure is executed. Moreover, during the ceremony, the tea experience needs to be consumed along with the guests that have been invited. The level of freedom is very high, and this resembles MUJI. When buying MUJI products, customers can set up freely the way of using them, as if they were empty boxes.

The Japanese tea ceremony originated from the Zen spirit<sup>41</sup>. The common ground between the tea ceremony and Zen Buddhism is that they both simplify things. They cut off the unneeded, and leave just the essence, the beauty of things. Plus, they value bonding with nature. These are also the main principles at the basis of MUJI. Simplicity is what makes MUJI products easy to use in everyday life, look natural, and fulfil their function as well. Whatever the house, whatever the use, the goal of MUJI's products is to blend naturally into life and the surroundings. With regard to aesthetics, MUJI products are often receipted by consumers as an expression of the Japanese traditional concept of *wabi-sabi* (侘寂), the art of “finding beauty in imperfection and profundity in earthiness”<sup>42</sup>. The idea of *wabi-sabi* is peripherally associated with Zen Buddhism, as the first Japanese involved with *wabi-sabi* – tea masters, priests, and monks – had all practiced Zen and were steeped in the Zen mindset<sup>43</sup>. According to Zen philosophy, there are seven aesthetic principles that govern *wabi-sabi*:

- *Fukinsei* (不均整): asymmetry, or irregularity, symbolizing that imperfection is a part of life;
- *Kanso* (簡素): simplicity, that is expressing things in a plain, simple, natural manner;

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<sup>39</sup> Akiko MASUDA, *MUJI Shiki Sekai De Ai Sareru Marketingu* (The Worldwide Loved MUJI-Style Marketing), Nikkei Business Publications, 2016, p. 89 / 増田明子、「MUJI 式 世界で愛されるマーケティング」、日経 BP 社、2016 年

<sup>40</sup> Juan ARANDA, *Biography – Tanaka Ikko*, in “<https://medium.com/@jaranda.des/biography-tanaka-ikko-f834f18bda3d>”, 2017 (Accessed April 30, 2017)

<sup>41</sup> for further reading, see Alyssa PENROD, *Zen and the Art of Tea* ([https://www.lagrange.edu/resources/pdf/citations/2011/01\\_Penrod\\_Art.pdf](https://www.lagrange.edu/resources/pdf/citations/2011/01_Penrod_Art.pdf))

<sup>42</sup> Robyn Griggs LAWRENCE, *Wabi-Sabi: The Art of Imperfection*, in “<http://www.utne.com/mind-and-body/wabi-sabi>”, 2001 (Accessed April 30, 2017)

<sup>43</sup> Leonard KOREN, *Wabi-sabi for Artists, Designers, Poets & Philosophers*, Imperfect Publishing, 1994, pp. 15-16

- *Kokō* (枯高): a sense of sternness lying in aged and weathered bare essentials;
- *Shizen* (自然): spontaneity, naturalness, absence of pretenses or artificiality;
- *Yūgen* (幽玄): a subtly profound grace, not obvious, “suggesting rather than revealing”;
- *Datsuzoku* (脱俗): a sense of freedom from the ordinary, transcending the convention;
- *Seijaku* (静寂): a sense of tranquility, calmness, stillness.

## 5. Case Study: IKEA



◆ Figure 12 – IKEA logo  
(Source: <https://en.wikipedia.org/wiki/IKEA>)

### 5.1 Background

IKEA is an international retail brand born in Sweden that designs and sells ready-to-assemble furniture, appliances, kitchen products and home accessories. It is the world's largest furniture retailer, and currently operates 389 stores in more than 40 countries (as of August 2016)<sup>1</sup>. IKEA accounts for 5 to 10 per cent of the furniture market in each country in which it operates, however it is far more than just a furniture retailer<sup>2</sup>: it sells a complete lifestyle to its customers all around the world, through affordable contemporary flat-packed designs that stand for quality, functionality and value. Having registered in 2016 more than 910 million<sup>3</sup> store visits in its shopping centres across Europe, Asia, Australia and North America, IKEA is indeed a global success.

The name 'IKEA' is an acronym, formed from the two initial of the founder Ingvar Kamprad as well as the names of the farm where he grew up (Elmtaryd) and the village where the farm was located (Agunnaryd, southern Sweden). Ingvar Kamprad founded IKEA in 1943, when he was just 17 years old. At first the company sold pens, wallets, picture frames, table runners, watches, jewelry and nylon stockings<sup>4</sup> – meeting everyday needs with products at reduced prices – then by 1948 furniture was introduced into the IKEA range. Initially, the furniture pieces were produced by local manufacturers in the forests close to Ingvar Kamprad's home, however since the response was very positive the line expanded and the production was eventually

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<sup>1</sup> IKEA Highlights 2016, in "<https://highlights.ikea.com/2016/ikea-facts-and-figures>" (Accessed May 2, 2017)

<sup>2</sup> Patrick DUNNE and Robert LUSCH, *Retailing* (6<sup>th</sup> Edition), Thomson Learning, 2007, p. 128

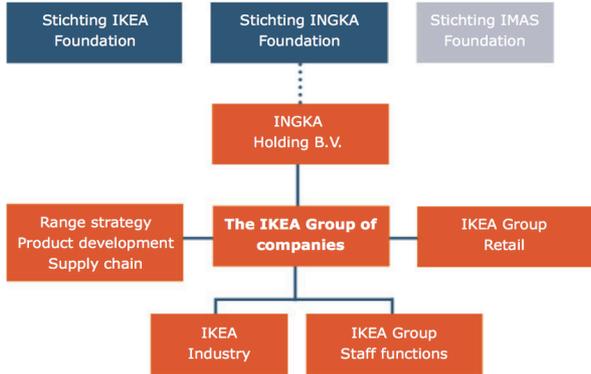
<sup>3</sup> IKEA Highlights 2016, in "<https://highlights.ikea.com/2016/ikea-facts-and-figures>" (Accessed May 2, 2017)

<sup>4</sup> IKEA Website (History), in "[http://www.ikea.com/ms/en\\_JP/about\\_ikea/the\\_ikea\\_way/history/](http://www.ikea.com/ms/en_JP/about_ikea/the_ikea_way/history/)" (Accessed May 2, 2017)

automated. After 10 years of being a mail-order sales business, in 1953 IKEA opened a showroom, where customers could see and experience home furnishings before ordering them, and then, in 1958, the first big IKEA store was inaugurated in Älmhult, southern Sweden. At the time, it was the largest furniture display in Scandinavia<sup>5</sup>. In 1960, the first IKEA Restaurant was also opened inside the Älmhult store.

IKEA turned into an international retailer when the first overseas store was opened in Norway in 1963. The Scandinavian border was first crossed in 1973, when a store was established in Switzerland. International expansion was extensive in the following period, 1975 – 1981/1982, with also a big leap in the beginning of the 1990s<sup>6</sup>. Substantial growth has continued ever since, with just some ups and downs in number of stores opened each year between 2008 and 2012, if compared to the high figures registered at the beginning of the 2000s<sup>7</sup>.

IKEA is not listed on the stock market and does not depend on investors. Instead, since 1982 it is part of a complex organization of nonprofit foundations and operating businesses based in the Netherlands, all controlled by the Kamprad family. The aim of the IKEA’s founder Ingvar Kamprad was to create an ownership structure standing for independence and a long-term approach: in fact, the company’s profits can only be either reinvested, used for charitable purposes through the IKEA Foundation or kept as a financial reserve for future investments in the business<sup>8</sup>.



◆ Figure 13 – The organization of IKEA

(Source: [http://www.ikea.com/ms/en\\_JP/about-the-ikea-group/company-information/](http://www.ikea.com/ms/en_JP/about-the-ikea-group/company-information/))

<sup>5</sup> IKEA Website (History), in “[http://www.ikea.com/ms/en\\_JP/about\\_ikea/the\\_ikea\\_way/history/1940\\_1950.html](http://www.ikea.com/ms/en_JP/about_ikea/the_ikea_way/history/1940_1950.html)” (Accessed May 2, 2017)  
<sup>6</sup> John DAWSON and Masao MUKOYAMA, *Global Strategies in Retailing: Asian and European Experiences*, Routledge, 2014, p. 137  
<sup>7</sup> Ibid.  
<sup>8</sup> IKEA Website (Company Information), in “[http://www.ikea.com/ms/en\\_JP/about-the-ikea-group/company-information/](http://www.ikea.com/ms/en_JP/about-the-ikea-group/company-information/)” (Accessed May 4, 2017)

## 5.2 Business Model

### 5.2.1 Brand philosophy

“To create a better life for the many people”: this is the IKEA Vision<sup>9</sup>. Most of IKEA’s philosophy is based on *The Testament of a Furniture Dealer*<sup>10</sup>, a document on business principles written in 1976 by founder Ingvar Kamprad. In his “testament”, Kamprad points out that while most of the fine designs and new ideas are developed for a small circle of rich people, IKEA is intended to change this standard and enable people with limited financial means to have access to home furnishing of high design and good quality<sup>11</sup>. This idea suggests that businesses<sup>11</sup> can indeed take the lead in demonstrating the application of a social policy and in creating a structure through which ordinary people can live the kind of life they have always dreamed of<sup>12</sup>. At IKEA, part of creating a better everyday life for the many people also consists of breaking free from status and convention, becoming freer as human beings, and making the brand itself synonymous with that concept too, for the benefit of the company and for the inspiration of others<sup>13</sup>.

Throughout the years, IKEA has stood by a set of fundamental values that affect every aspect of its business. These include *humbleness, willpower, togetherness, enthusiasm, cost-consciousness* and *simplicity*<sup>14</sup>. IKEA is not afraid of being different: in fact, the means the brand uses for achieving its goals are characterized by an unprejudiced approach, by “doing it a different way” while keeping the aim of being simple and straightforward in the relations with others<sup>15</sup>. Moreover, working at IKEA means never being satisfied, that is a constant desire for renewal, for being always “on the way”, which results in continually making big and small improvements that build IKEA into the future and make its offer always unique. IKEA, by getting together

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<sup>9</sup> IKEA Website (Our Vision), in “[http://www.ikea.com/ms/en\\_JP/the\\_ikea\\_story/working\\_at\\_ikea/our\\_vision.html](http://www.ikea.com/ms/en_JP/the_ikea_story/working_at_ikea/our_vision.html)” (Accessed May 5, 2017)

<sup>10</sup> Accessible on “[http://www.ikea.com/ms/en\\_JP/pdf/reports-downloads/the-testament-of-a-furniture-dealer.pdf](http://www.ikea.com/ms/en_JP/pdf/reports-downloads/the-testament-of-a-furniture-dealer.pdf)”

<sup>11</sup> Anders DAHLVIG, *The IKEA Edge: building global growth and social good at the world’s most iconic home store*, McGraw Hill, 2010, p. 10

<sup>12</sup> Ibid.

<sup>13</sup> Ingvar KAMPRAD, *The Testament of a Furniture Dealer*, 1976

<sup>14</sup> IKEA Website (Our Values), in “[http://www.ikea.com/ms/en\\_JP/the\\_ikea\\_story/working\\_at\\_ikea/our\\_values.html](http://www.ikea.com/ms/en_JP/the_ikea_story/working_at_ikea/our_values.html)” (Accessed May 6, 2017)

<sup>15</sup> Ingvar KAMPRAD, *The Testament of a Furniture Dealer*, 1976

people that keep working hard, learning and improving every day, spurs its business to keep expanding, aiming at reaching even more people around the world and helping make their everyday life better.

### 5.2.2 Business concept

The IKEA concept starts with the idea of offering “a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them”<sup>16</sup>. It basically means responding to the home furnishing needs of the many people around the world: people with different needs, tastes, dreams, aspirations and wallet sizes; people who want to improve their homes and their everyday life<sup>17</sup>. To understand what people really need and dream about, IKEA’s designers visit homes all over the world, talks with people, measures things. “IKEA engages in a continual cycle of market research to find out about consumer lifestyles, what benefits consumers are seeking from a range of household furnishings, what consumer perceptions are of existing products and many other things”<sup>18</sup>. This first-hand information gives IKEA valuable insights that it uses as the starting point for developing products, appliances and home furnishing solutions that combine *good quality, form, function, and sustainability* with the lowest possible *price*. This unusual combination of features is defined by IKEA “Democratic Design” and it is what makes its product range unique<sup>19</sup>.

Low prices are the cornerstone of the IKEA vision, business idea and concept<sup>20</sup>. The basic thinking behind all IKEA products is that low prices make well-designed, functional home furnishings available to everyone<sup>21</sup>. Every part of IKEA, from design and sourcing to packing and distribution, plays an important role in creating the low prices which IKEA is able to offer to its customers. Very early in the design phase,

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<sup>16</sup> IKEA Website (Our Business Idea), in “[http://www.ikea.com/ms/en\\_JP/about\\_ikea/our\\_business\\_idea/](http://www.ikea.com/ms/en_JP/about_ikea/our_business_idea/)” (Accessed May 7, 2017)

<sup>17</sup> IKEA Website (The IKEA way), in “[http://www.ikea.com/ms/en\\_JP/about\\_ikea/the\\_ikea\\_way/our\\_business\\_idea/a\\_better\\_everyday\\_life.html](http://www.ikea.com/ms/en_JP/about_ikea/the_ikea_way/our_business_idea/a_better_everyday_life.html)” (Accessed May 7, 2017)

<sup>18</sup> *Meeting the needs of the consumer: an IKEA case study*, in “<http://businesscasestudies.co.uk/>” (Accessed May 8, 2017)

<sup>19</sup> IKEA Website (Democratic Design), in “[http://www.ikea.com/ms/en\\_JP/this-is-ikea/democratic-design/](http://www.ikea.com/ms/en_JP/this-is-ikea/democratic-design/)” (Accessed May 8, 2017)

<sup>20</sup> IKEA Website (Our Business Idea), in “[http://www.ikea.com/ms/en\\_JP/about\\_ikea/our\\_business\\_idea/](http://www.ikea.com/ms/en_JP/about_ikea/our_business_idea/)” (Accessed May 8, 2017)

<sup>21</sup> Ibid.



◆ Figure 14 – 5 Dimensions of Democratic Design

(Source: [http://www.ikea.com/ms/en\\_TH/democratic-video/index.html](http://www.ikea.com/ms/en_TH/democratic-video/index.html))

IKEA product developers and designers work directly with production unit suppliers – often right on the factory floor<sup>22</sup> – to find smart ways to design furniture while making the most reasonable use of available production capacity. Together, they also reflect on using raw materials efficiently and integrate innovation with the best possible design. The entire IKEA product range is developed by IKEA in Älmhult, Sweden<sup>23</sup>.

Then, IKEA buyers travel the world to find good suppliers with the most fitting raw materials. In fact, IKEA products are designed to be produced in environmentally suitable materials that can be purchased at reasonable prices<sup>24</sup>. These are bought in bulk, on a global scale, through a unified supply structure that allows IKEA to reduce prices by working with high volumes. Long term relationships with suppliers exist, and suppliers are selected on the basis of their performance in manufacturing certain parts of furniture (that is, every supplier manufactures the furniture part that they do best and to the lowest price)<sup>25</sup>. This process lowers the price without undermining the designer’s original idea or lowering the quality of the product. Moreover, in the past few decades IKEA has acquired some factories of its own, some of which operate as training units and set standards for other suppliers for production economy, quality,

<sup>22</sup> IKEA Website (Democratic Design), in “[http://www.ikea.com/ms/en\\_JP/this-is-ikea/democratic-design/index.html](http://www.ikea.com/ms/en_JP/this-is-ikea/democratic-design/index.html)” (Accessed May 9, 2017)

<sup>23</sup> IKEA Website (Our Low Prices), in “[http://www.ikea.com/ms/en\\_JP/about\\_ikea/the\\_ikea\\_way/our\\_business\\_idea/our\\_low\\_prices.html](http://www.ikea.com/ms/en_JP/about_ikea/the_ikea_way/our_business_idea/our_low_prices.html)” (Accessed May 9, 2017)

<sup>24</sup> *Meeting the needs of the consumer: an IKEA case study*, in “<http://businesscasestudies.co.uk/>” (Accessed May 10, 2017)

<sup>25</sup> John DAWSON and Masao MUKOYAMA, *Global Strategies in Retailing: Asian and European Experiences*, Routledge, 2014, p. 140

and environmental awareness<sup>26</sup>. To improve transportation and logistics, IKEA sends as many containers as possible directly from factories to stores, packs products in flat packages for low-cost transportation and storage, and redesigns packaging and pallets to make sure that not a single bit of space is wasted and no extra cost is imposed on the customer. In short, the way IKEA delivers a relevant offering at a genuinely low price is by reducing the distance between the need of customers and the possibilities of suppliers.

Lastly, the business concept of IKEA takes advantage of customer participation in collecting the products at the store, transporting them to home and assembling the furniture in a form of DIY (*Do-It-Yourself*) home furnishings. Each product at IKEA has a product identification tag that indicates the item's specific location in the inventory area; once customers have decided on an item, they move to the inventory area, pull the flat carton containing the disassembled product from the shelf, and proceed to the checkout counter<sup>27</sup>. Then, IKEA products are designed so that customers can transport and assemble them themselves at home. This whole idea comes from the IKEA mantra that people have more time than money<sup>28</sup>: hence, the relationship that IKEA builds with its customers is basically a partnership, where "You (the customer) do your part. We (IKEA) do our part. Together we save money"<sup>29</sup>. In other words, the company rewards its customers for their involvement in the distribution of the company's products: if customers want more service from IKEA, they have to pay more, but if they are willing to do more they will ultimately pay a lower price, so that there will always be an option for those with limited financial means<sup>30</sup>.

### 5.2.3 Corporate activity

**IKEA retail business.** Being the world's leading home furnishings retailer, IKEA's

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<sup>26</sup> Brian NATTRASS and Mary ALTOMARE, *The National Step for Business*, New Society Publishers, 1999, p. 50

<sup>27</sup> Patrick DUNNE and Robert LUSCH, *Retailing* (6<sup>th</sup> Edition), Thomson Learning, 2007, p. 128

<sup>28</sup> Anders DAHLVIG, *The IKEA Edge: building global growth and social good at the world's most iconic home store*, McGraw Hill, 2010, p. 12

<sup>29</sup> IKEA Website (Our Concept), in "[http://www.ikea.com/ms/en\\_JP/the\\_ikea\\_story/the\\_ikea\\_store/the\\_ikea\\_concept.html](http://www.ikea.com/ms/en_JP/the_ikea_story/the_ikea_store/the_ikea_concept.html)" (Accessed May 10, 2017)

<sup>30</sup> Anders DAHLVIG, *The IKEA Edge: building global growth and social good at the world's most iconic home store*, McGraw Hill, 2010, p. 12

main business is operated through its many retail stores around the world. IKEA's product range carries a variety of more than 9,000 articles (a third of which are replaced every year) that revolve around the core areas of lifestyle, from home furnishings, whole kitchens and plants to toys, travel goods and electric appliances.



◆ Figure 15 – Inside an IKEA store

(Source: <https://goo.gl/images/rwXYU2>)

**IKEA food business.** IKEA offers a great variety of food products, all based on Swedish recipes and tradition, which make use of natural, high-quality ingredients. Customers can taste freshly cooked, Swedish-style dishes or local meals at IKEA Restaurants, enjoy a drink or a ready-to-pick bite at IKEA Bistros, and buy take-home Swedish snacks, treats and drinks at IKEA Swedish Food Markets located near the exit area of every IKEA store.



◆ Figure 16 – An IKEA Restaurant

(Source: [http://www.ikea.com/ms/en\\_SA/ikea-food/](http://www.ikea.com/ms/en_SA/ikea-food/))



◆ Figure 17 – An IKEA Bistro

(Source: [http://www.ikea.com/ms/en\\_EG/ikea\\_food/ikea\\_bistro.html](http://www.ikea.com/ms/en_EG/ikea_food/ikea_bistro.html))



◆ Figure 18 – An IKEA Swedish Food Market

(Source: [http://www.ikea.com/ms/en\\_JO/ikea\\_food/taste\\_of\\_sweden.html](http://www.ikea.com/ms/en_JO/ikea_food/taste_of_sweden.html))

**IKEA BoKlok houses.** In collaboration with Skanska (a world leading construction group), IKEA offers a line of affordable prefabricated blocks of flats and terraced houses through an innovative housing concept called BoKlok (Swedish for “smart living”). This concept is aimed at providing people who want to live in a home of their own, but have limited resources, with high-quality, functional and modern properties at a low price.



◆ Figure 19 – A BoKlok house prototype

(Source: <http://group.skanska.com/media/articles/boklok--ready-for-the-big-world/>)

## 5.3 Marketing Mix

### 5.3.1 Product

IKEA's product strategy is aimed at creating an offer that has all the ingredients the customer can possibly want – a lot of *choice*, good *design*, and *functionality* at very good prices<sup>31</sup>. The brand fulfils the ambitious task of combining good design and good function with the right quality by working together with skilled manufacturers and designers that find ways to get the most out of raw materials. IKEA also works hard to ensure that products and materials are adapted to reduce any negative impact on the environment, and strives to use renewable and recyclable materials in its products. At the basis of the IKEA product range, which to this day is all developed in Sweden, lies the Swedish approach to design: the home furnishings are modern but not trendy, functional yet attractive, human-centered and child-friendly, and represent the fresh, healthy Swedish lifestyle through their carefully chosen colors and materials<sup>32</sup>.



◆ Figure 20 – A selection of IKEA products

(Source: <http://franchisor.ikea.com/product-for-a-better-everyday-life/>)

The IKEA product range is one of the widest. First, it is wide in *function*: it offers home furnishing solutions for every room of the house, from plants and living-room

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<sup>31</sup> Anders DAHLVIG, *The IKEA Edge: building global growth and social good at the world's most iconic home store*, McGraw Hill, 2010, p. 69

<sup>32</sup> IKEA Website (The IKEA Way), in "[http://www.ikea.com/ms/en\\_JP/about\\_ikea/the\\_ikea\\_way/](http://www.ikea.com/ms/en_JP/about_ikea/the_ikea_way/)" (Accessed May 13, 2017)

furnishings to toys and whole kitchens<sup>33</sup>. Second, it is wide in *style*: “it has something for the romantic at heart, the minimalist and everyone in between”<sup>34</sup>. And finally, by being coordinated, the range is wide in both *function and style* at the same time: whatever the taste is, IKEA designers and product developers work hard to ensure that all IKEA products meet the day-to-day customer needs<sup>35</sup>. Another key aspect of the IKEA product strategy is that the home furnishings are designed so that they can be packed unassembled. IKEA’s original flat-packs, combined with the customer contribution of assembling products themselves, enable the brand to reduce production, shipping and storage costs. The IKEA unique feature of having customers to assemble the products themselves is necessary to keep costs and sales prices low, and “it puts high demands on the creativity of product designers and technicians to make assembly and assembly instructions so simple that customers can put the product together without making mistakes”<sup>36</sup>. Eventually, this increases customers’ perception of product quality.

IKEA products are always identified by a name. Most of the names are of Scandinavian origin and based on a special naming system developed by IKEA founder Ingvar Kamprad who, struggling with dyslexia, found that names were easier to remember than codes. For example, bookcases are named after professional occupations or boys’ names, outdoor furniture is named after Scandinavian islands, rugs are named after cities and towns in Denmark or Sweden, while bed sheets, comforters and pillowcases are named after flowers and plants<sup>37</sup>. Sometimes, however, the designer or the product developer may come up with an original name for new products. Moreover, IKEA product names are kept the same in every market to simplify international inventory.

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<sup>33</sup> IKEA Website (Our Product Range), in “[http://www.ikea.com/ms/en\\_JP/about\\_ikea/the\\_ikea\\_way/our\\_business\\_idea/our\\_product\\_range.html](http://www.ikea.com/ms/en_JP/about_ikea/the_ikea_way/our_business_idea/our_product_range.html)” (Accessed May 13, 2017)

<sup>34</sup> Ibid.

<sup>35</sup> IKEA Website (Our Business Idea), in “[http://www.ikea.com/ms/en\\_JP/about\\_ikea/the\\_ikea\\_way/our\\_business\\_idea/](http://www.ikea.com/ms/en_JP/about_ikea/the_ikea_way/our_business_idea/)” (Accessed May 13, 2017)

<sup>36</sup> Anders DAHLVIG, *The IKEA Edge: building global growth and social good at the world’s most iconic home store*, McGraw Hill, 2010, pp. 73-74

<sup>37</sup> Anne QUITO, *The secret taxonomy behind IKEA’s product names, from Billy to Poäng*, in “[www.qz.com](http://www.qz.com)”, 2017 (Accessed May 14, 2017)

### 5.3.2 Price

IKEA strives to deliver good design, function, and quality at genuinely low prices. The brand's mission statement clearly indicates a cost leadership strategy, carried out by decreasing sales prices to customers and making products affordable to the many people. IKEA is obsessively concerned about low prices: the internal goal is to always have prices at least 20 per cent below the competition on comparable products, and often even more than that<sup>38</sup>. To reach that goal, the company mainly focuses on cost control and efficient operational details. Key to this strategy is the integrated process of production-adapted product development, together with the supply chain, global sourcing, the distribution idea of flat pack, and the integration of the customer in the selection, distribution, and assembly of the products<sup>39</sup>. IKEA also takes advantage of several psychological pricing strategies to influence consumers' perception of a product affordability. First, IKEA products are usually priced a little less than a round number, making consumers perceive them significantly lower than they are. Second, when IKEA sets new prices for existing products, it shows the old price as well to highlight the saving. Third, occasionally it puts some articles on sale to make customers perceive a sense of good deal when buying them<sup>40</sup>.

The logic of IKEA's financial model – achieving profits while remaining affordable – is in tune with the company vision: in fact, lower sales prices deliver higher sales volume<sup>41</sup>. Contrary to many retailers, IKEA does not focus on improving the gross margin, instead, it concentrates on creating savings that could be passed on to its customers. Important to the success of the company is also a strong focus on cost consciousness and, of course, big sales volumes that creates buying price advantages<sup>42</sup>. When developing a new product, IKEA first determines the target price and market need, from which all further decisions and product attributes, such as the overall design, the use of specific wood laminate finishing on specific surfaces, and

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<sup>38</sup> Anders DAHLVIG, *The IKEA Edge: building global growth and social good at the world's most iconic home store*, McGraw Hill, 2010, p. 63

<sup>39</sup> Ibid.

<sup>40</sup> Shoko KOBAYASHI, *Secret behind IKEA's pricing strategy*, in "<https://mpk732t12016clusterb.wordpress.com>", 2016 (Accessed May 16, 2017)

<sup>41</sup> Anders DAHLVIG, *The IKEA Edge: building global growth and social good at the world's most iconic home store*, McGraw Hill, 2010, p. 11

<sup>42</sup> Ibid., p. 63

faster selection, are then made to fulfil the need of delivering the product at a lower cost than the original target price<sup>43</sup>.

### 5.3.3 Place

IKEA operates a highly effective multichannel distribution strategy that successfully blends the physical outlets with an online shopping website.

**Retail outlets.** IKEA makes use of large outlets, usually located in out-of-town locations, to offer its customers a unique “360-degree retail experience” which speaks to the senses and is largely the same in all parts of the world<sup>44</sup>. At the entrance of the store, strategically placed bins containing various accessories, such as paper measuring tapes, pencils and store guide, provide customers with all the necessary to shop. The entire IKEA shopping experience is supposed to provide inspiration, design ideas and home furnishing solutions<sup>45</sup>, and customers are suggested to follow a marked path to the different areas of the store in order to enjoy the experience at its fullest. This “one way” layout is designed to encourage the customer to see the IKEA store in its entirety, as opposed to a traditional retail store, and to ensure that all the merchandise is visible. The arrow-marked path first involves going through huge furniture showrooms built entirely from IKEA products, usually set in the upper level of the store, where customers get a clear picture of what the products might look like in their home and make notes about size, color, material, features, as well as where to pick them up in the self-serve furniture area. An IKEA Restaurant, with cafeteria, where shoppers can rest and refresh is generally located on the same floor. This prevents customers from leaving the store to get something to eat, which would often result in customers not coming back to the store at all<sup>46</sup>. On the lower floor, customers first enter the market hall, an open-shelf warehouse with many different specialty shops gathered

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<sup>43</sup> Tim SMITH, *Pricing Strategy: Setting Price Levels, Managing Price Discounts and Establishing Price Structures*, Cengage Learning, 2011, p. 280

<sup>44</sup> Joachim ZENTES et al., *Strategic Retail Management: Text and International Cases* (2<sup>nd</sup> Edition), Gabler Verlag, 2012, p. 65

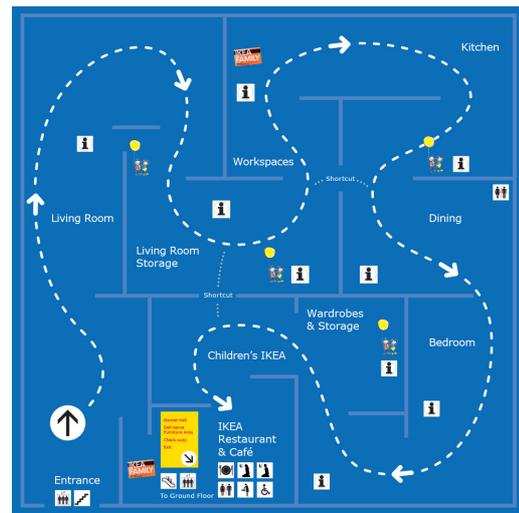
<sup>45</sup> IKEA Website (Our Store Experience), in “[http://www.ikea.com/ms/en\\_US/customer\\_service/store\\_experience.html](http://www.ikea.com/ms/en_US/customer_service/store_experience.html)” (Accessed May 18, 2017)

<sup>46</sup> Joachim ZENTES et al., *Strategic Retail Management: Text and International Cases* (2<sup>nd</sup> Edition), Gabler Verlag, 2012, p. 66

together. Then, customers proceed to the self-serve furniture area, where they pick up the flat-packed furnishing items they previously noted in the showrooms. Finally, they take the selected products to the cashier desks and pay. The entire IKEA experience is supposed to be fun, and aimed at making the customers happy<sup>47</sup>. IKEA stores are also family-friendly, and offer a free supervised playroom where kids can play with toys and enjoy special activities while parents shop.



◆ Figure 21 – An IKEA retail outlet  
(Source: <https://goo.gl/images/F1F453>)



◆ Figure 22 – An IKEA showroom map  
(Source: <https://goo.gl/images/IVzoz0>)

**Online store.** On the IKEA website ([www.ikea.com](http://www.ikea.com)), customers can look for products and ideas, purchase furniture as well as any other IKEA product, and coordinate digitally room designs themselves. Although the IKEA website provides an alternative distribution channel, both in showing and selling IKEA's extended range, it is basically used by IKEA to support its retail activity<sup>48</sup> and is aimed primarily at providing information to customers that helps them prepare for the store visit.

<sup>47</sup> IKEA Website (Our Store Experience), in "[http://www.ikea.com/ms/en\\_US/customer\\_service/store\\_experience.html](http://www.ikea.com/ms/en_US/customer_service/store_experience.html)" (Accessed May 18, 2017)

<sup>48</sup> Joachim ZENTES et al., *Strategic Retail Management: Text and International Cases* (2<sup>nd</sup> Edition), Gabler Verlag, 2012, pp. 67-68

### 5.3.4 Promotion

IKEA uses various channels outside the store to communicate the IKEA concept and full offer, focusing primarily on printed media to reach the many people on each local market. The main and best known promotional tool is the IKEA catalogue, which accounts for roughly 70 per cent of the annual marketing budget<sup>49</sup>. Since IKEA's foundation, the catalogue, combined with the extensive showrooms at the stores which provide a full overview of the product range, has been the primary channel for reaching customers. The IKEA catalogue is distributed both in stores and by mail and remains valid for a full year. It shows the width of IKEA's product range and is intended to be a source of inspiration to its readers. With 220 million copies printed in 2015, published in 34 different languages, it is also the world's largest free commercial publication<sup>50</sup>.



◆ Figure 23 – The IKEA catalogue

(Source: [http://www.ikea.com/ms/en\\_SA/virtual\\_catalogue/online\\_catalogues.html](http://www.ikea.com/ms/en_SA/virtual_catalogue/online_catalogues.html))

Other important media now being used to an increasing degree by IKEA include TV advertising, radio, publications, brochures and internet based communication. Since 1984, the company has also offered a loyalty program called “IKEA Family” which provides members with special promotions and exclusive media content. IKEA's way of communicating reflects the brand values both visually and in tone of voice, since

<sup>49</sup> Bo EDVARDSSON and Bo ENQUIST, *Values-based Service for Sustainable Business: Lessons from IKEA*, Routledge, 2009, p. 67

<sup>50</sup> Joachim ZENTES et al., *Strategic Retail Management: Text and International Cases* (2<sup>nd</sup> Edition), Gabler Verlag, 2012, p. 66

marketing and promotion contributors include art directors and copywriters, interior designers and project leaders. At IKEA, both the product range and price strategy, as well as the layout of the stores, the website, the catalogue, IKEA Family, and brochures are steered centrally to maximize the commercial impact of the range priorities, while television and print advertising is mainly left to local adaptation<sup>51</sup>.

## 5.4 International expansion

“While starting as a local retail business, international expansion was an early part of IKEA’s operations”<sup>52</sup>. This was, at least initially, moved by the difficulties Ingvar Kamprad had in sourcing products for its stores from Swedish furniture manufacturers, which eventually drove IKEA abroad for sourcing and, from the 1960s, with the stores. Other major reasons for spreading globally have been the need of reducing business risk, since IKEA has always found itself very dependent on Europe and its business conditions, and of course the perspective of market opportunity. “The early years of IKEA’s expansion abroad were characterized by a truly entrepreneurial spirit, a style personified by the founder Ingvar Kamprad: his un-academic approach, based on trial-and-error rather than a formal business plan, characterized the first decade of IKEA’s internationalization”<sup>53</sup>. For example, while initial international moves were carried out into neighboring countries, the early global moves into Australia and Japan were initiated by unexpected opportunities and offers from actors in those market, rather than a carefully constructed business plan<sup>54</sup>. However, starting from the 2000s, IKEA has adopted a more managerially oriented way of doing business and developed a high level of knowledge management, resulting in more strategy and planning to the international moves than before. During the nearly 70 years of its existence, IKEA has tuned from a local mail order firm into a global, multi-continent retailer operating 389 stores in one format on four continents.

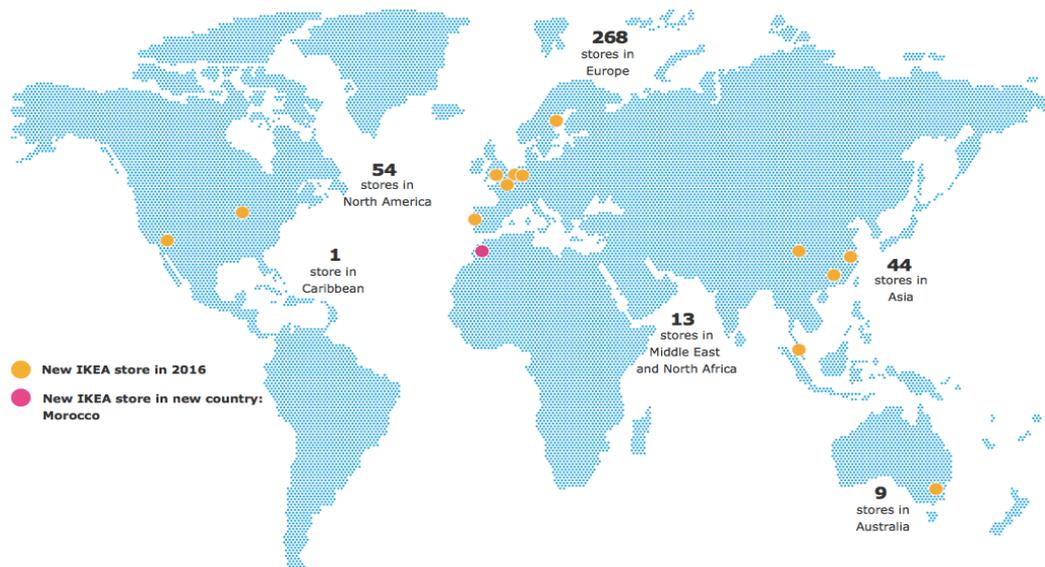
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<sup>51</sup> Anders DAHLVIG, *The IKEA Edge: building global growth and social good at the world’s most iconic home store*, McGraw Hill, 2010, p. 99

<sup>52</sup> John DAWSON and Masao MUKOYAMA, *Global Strategies in Retailing: Asian and European Experiences*, Routledge, 2014, p. 149

<sup>53</sup> Ibid., p. 143

<sup>54</sup> Ibid.



◆ Figure 24 – IKEA global presence (FY 2016)

(Source: <https://highlights.ikea.com/2016/ikea-facts-and-figures>)

Since the 1970s, IKEA has adopted franchising and subsidiaries as preferred entry modes to move into foreign markets. At that time, Ingvar Kamprad wanted to create an independent ownership structure suited for a long-time growth, so the IKEA franchise system was established. Today, the IKEA concept, comprising brands and other immaterial rights, is owned by Inter IKEA Systems, which acts as the worldwide IKEA franchisor. All IKEA stores (except one in the Netherlands run directly by Inter IKEA Systems) operate under franchise agreements. The IKEA Group, owned by Ingka Holding B.V., is IKEA’s biggest franchisee and currently operates 340 stores in 28 countries; other smaller franchisees run the remaining stores, mainly in the Middle East and Asia. The franchise agreement gives franchisees the right to operate an IKEA store in accordance with the franchisor’s practices and methods, and provides them with the whole IKEA product range as well as all the systems, methods and solutions to market and sell it<sup>55</sup>. On their part, all franchisees are bound to pay the franchisor a roughly 3 per cent of the store sales as a royalty fee.

IKEA is known for operating a standardized internationalization strategy. The products, services and shopping experience of IKEA stores are basically the same

<sup>55</sup> IKEA Website (Franchising the IKEA Way), in “<http://franchisor.ikea.com/the-story-behind-franchising/>” (Accessed May 20, 2017)

around the globe. There is limited to no adaptation to local conditions, and even when adaptation is undertaken, it is always within the standardized IKEA assortment<sup>56</sup>. The product range actually displayed in IKEA stores might not be the same everywhere, but selected in accordance to local conditions. For example, in Japan, in response to the small room-sizes of consumers, IKEA will choose products that suit the particular situation of Japan, while in Australia, where room sizes are way bigger, it will include products that Japan may not source<sup>57</sup>. Hence, IKEA's standardized internationalization strategy does not mean complete cultural insensitivity. This is implied also in the case of advertisements and sales promotion, which, within limits, are generally localized to fit with market features depending on each country's culture. Moving beyond assortment and promotion, sometimes IKEA service level differ across markets. For example, in service-oriented markets where the DIY concept may sound distant, extra services such as home delivery and assembly may be need to be provided. However, one of the key features of IKEA's strategy has always been its ability to make small adaptations without changing the core business model: this has sometimes proved to be a challenge, but as it does not change the way IKEA operates, it creates embeddedness without endangering the business model<sup>58</sup>.

## 5.5 IKEA and Sweden

The roots of IKEA's values and brand identity are located within the company's Swedish origins and heritage. It is no accident that the IKEA logo is blue and yellow: these are the colors of the Swedish flag<sup>59</sup>. The company "*Swedishness*" is at the basis of every marketing activity: all items sold by IKEA carry Swedish or Scandinavian names; the product range features light, fresh yet unpretentious home furnishings, depicting the warm welcoming Swedish style that has become a model of simplicity,

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<sup>56</sup> John DAWSON and Masao MUKOYAMA, *Global Strategies in Retailing: Asian and European Experiences*, Routledge, 2014, p. 139

<sup>57</sup> Ibid.

<sup>58</sup> John DAWSON and Masao MUKOYAMA, *Global Strategies in Retailing: Asian and European Experiences*, Routledge, 2014, p. 150

<sup>59</sup> IKEA Website (Swedish Heritage), in "[http://www.ikea.com/ms/en\\_JP/about\\_ikea/the\\_ikea\\_way/swedish\\_heritage/](http://www.ikea.com/ms/en_JP/about_ikea/the_ikea_way/swedish_heritage/)" (Accessed May 21, 2017)

practicality and informality universally renown; the company also explicitly embraces the traditional Swedish management style of a “consensus culture”, in which employees are encouraged to take responsibility and learn through their mistakes<sup>60</sup>. Due to its culturally-specific profile, which differs from traditional homologated furniture retailers, IKEA’s brand identity is very clear and distinct. Many are the Swedish traits<sup>61</sup> affecting the IKEA brand, most notably:

- **Swedish lifestyle.** Sweden is often associated with an open-minded and healthy society, made of people who enjoy a fresh and modern way of life. This Swedish lifestyle is well reflected in the IKEA product range. For example, the freshness of the environment is depicted by the bright colors and materials used as well as the sense of space they create.
- **Swedish society.** Swedish society is known for being open, innovative, caring and authentic. In Sweden, humble behaviors – such as never talking or bragging about success, always focusing on what does not work rather than celebrating success – are a very common trait<sup>62</sup>. Moreover, Swedish people encourage simplicity, trying to eliminate status symbols and treating everyone equally regardless of titles<sup>63</sup>. In fact, IKEA was founded when Sweden was fast becoming an example of the caring society, where rich and poor alike were well looked after. This is also a theme that fits well with the IKEA vision.
- **Historical influences.** In the late 1800s, the artists Carl and Karin Larsson created a new style of home furnishing design by combining classical influences with warmer Swedish folk styles. Later, in the 1950s, a new wave of design focused on modernism and functionalism took root in Sweden, when the country was establishing a society founded on social equity. The IKEA product range –

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<sup>60</sup> Joachim ZENTES et al., *Strategic Retail Management: Text and International Cases* (1<sup>st</sup> Edition), Gabler Verlag, 2007, p. 133

<sup>61</sup> IKEA Website (Swedish Heritage), in “[http://www.ikea.com/ms/en\\_JP/about\\_ikea/the\\_ikea\\_way/swedish\\_heritage/](http://www.ikea.com/ms/en_JP/about_ikea/the_ikea_way/swedish_heritage/)” (Accessed May 21, 2017)

<sup>62</sup> Anders DAHLVIG, *The IKEA Edge: building global growth and social good at the world’s most iconic home store*, McGraw Hill, 2010, p. 21

<sup>63</sup> Ibid.

modern but not trendy, functional yet attractive, people-focused and child-friendly – carries on both these Swedish home furnishing traditions.

- **Nature and Home.** From picturesque fishing villages to endless forests, in Sweden nature plays a big part in everyday life<sup>64</sup>. At the same time, Swedish people care about their home. In fact, one of the best ways to describe the Swedish home furnishing style is to describe nature - full of light and fresh air, yet restrained and unpretentious. The IKEA brand humbly connects these two dimensions together, by providing home furnishing solutions that enhance the bond with nature and keep an eye on sustainability.
  
- **Småland roots.** The IKEA concept, like its founder, was born in Småland. This area of southern Sweden is well known for its frugal, humble and hardworking people<sup>65</sup>, living on slender means and using their heads to make the best possible use of the limited resources they have. The IKEA attribute of being cost conscious may result from this way of life<sup>66</sup>.

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<sup>64</sup> Inter IKEA System Website (Typically Swedish), in "<http://franchisor.ikea.com/typically-swedish/>" (Accessed May 21, 2017)

<sup>65</sup> Anders DAHLVIG, *The IKEA Edge: building global growth and social good at the world's most iconic home store*, McGraw Hill, 2010, p. 21

<sup>66</sup> Ibid.

## 6. Further considerations on MUJI and IKEA

### 6.1 Comparative summary

Being two of the most globally influential retailers of contemporary lifestyle design, MUJI and IKEA case studies provide an interesting insight into the lifestyle branding phenomenon, and are open to comparisons due to both their corporate and cultural attributes. Moved by a similar, yet unique, aesthetic conception, both MUJI and IKEA strive to influence people's way of life by proposing almost identical lifestyle values. As such, they share a similar sensibility when approaching the lifestyle segment, although with slightly different results: while MUJI embodies a *natural, simple and rational way of life*, IKEA mostly portrays the ideals of a *modern, well-educated and liberal lifestyle*. Nevertheless, MUJI and IKEA's lifestyle proposition lies its premises on a shared vision: that is, making the everyday life of the many people a better life. The products they present to their respective customers are also remarkably similar: simple, genuine, unembellished and functional lifestyle commodities. However, the marketing and consumption of the two brands emphasize their essential differences as they are rooted into two divergent cultural backgrounds, namely the democratic spirit of Scandinavian modernism and the Zen-like purity and humility of traditional Japan<sup>1</sup>.

#### 6.1.1 Aesthetics and design

Both IKEA and MUJI consciously embrace the "Good Design"<sup>2</sup> values, which could be summarized as simplicity, universal accessibility, emphasis on everyday life, and a strong and clear balance between design and functionality. Despite coming from socially and culturally divergent contexts, the two brands share a remarkably similar aesthetic that takes inspiration, albeit for different reasons, from their home country's ideology and culture. For most people, traditional Japan and Sweden are often recalled by largely standardized depictions of their aesthetic sensibility that enhances the use

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<sup>1</sup> D.J. HUPPATZ, *Critical Cities – IKEA vs. MUJI*, in "<http://djhuppatz.blogspot.com>", 2011 (Accessed May 28, 2017)

<sup>2</sup> "Good Design" was a series of exhibitions on home furnishings sponsored by the Museum of Modern Art (New York) in the 1950s

of natural materials, clean lines, and straightforward manufacture<sup>3</sup>. Both Japanese and Swedish design principles maintain a “*less is more*” attitude, that is removing rather than adding, to eliminate excess and achieve simplicity. In fact, both cultures favor an unadorned, yet pleasant aesthetic, based on the belief that what makes a product great is not what it has, but rather what it does not<sup>4</sup>. The minimalist aesthetic that shapes both IKEA and MUJI products grounds its root on this concept, and makes them appear functional. This is no accident, since both Japanese and Swedish traditional design elevates the aesthetic abundance that lies in function and simplicity. On such matters, Sweden and Japan are much closer than they appear.

The aesthetic rationality of MUJI and IKEA reveals the influence not only of Japanese and Swedish design tradition, but also of the broader value system associated with the humble simplicity of pre-modern Japan and the progressive Swedish social democracy<sup>5</sup>. The nature of the MUJI concept – its simplicity, restrained integrity, and the way its products blend into a living space without asserting themselves – embodies the true spirit of traditional Japan and its values of simplicity, modesty, and serenity. Similarly, the carefully designed IKEA products maintain a raw, handcrafted feel that traces back to the traditional peasant culture of its Småland roots and later Swedish modernist design. Both IKEA and MUJI are grounded on a coherent lifestyle aesthetic meant to ease middle class consumers’ concern regarding order, freshness, and purity. The watered-down, standardized good design of IKEA and MUJI also showcases a neat refusal of excess, extravagance and superficiality. Both brands appeal to middle class consumers who pursue modern, unconventional ideals with a satisfying lifestyle that values simplicity, harmony, and humbleness<sup>6</sup>.

However, when it comes to designing and crafting their unique range, MUJI and IKEA reveal some sharp differences as well. For instance, since MUJI aims at creating timeless, classic items for people who want to express without any constraint their personality, it never follows trends and keeps no strong personalization in products,

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<sup>3</sup> Anne QUITO, *The secret that makes Japanese and Swedish design look so similar—and so good*, in “<https://qz.com/>”, 2016 (Accessed May 29, 2017)

<sup>4</sup> Hamish MCKENZIE, *How a toothbrush explains the power of Swedish design and one of Stockholm's hottest startups*, in “<https://pando.com/>”, 2012 (Accessed May 29, 2017)

<sup>5</sup> D.J. HUPPATZ, *Critical Cities – IKEA vs. MUJI*, in “<http://djhuppatz.blogspot.com>”, 2011 (Accessed May 29, 2017)

<sup>6</sup> Ibid.

using bland, never bright, neutral, natural colors such as white, grey and beige. The *no-brand* brand's focus is just on the product itself, and rather than changing frequently its offerings it provides constant innovation to its already existing ones. By contrast, IKEA, while keeping the same simplicity of MUJI, wants its products to be visually appealing, hence it uses strong, fleshy colors such as orange, pink, and green besides softer ones, and develops personalized designs to give customers a sense of stylish, yet affordable, home furnishings. Moreover, IKEA follows trends and renews constantly its product range, changing approximately a third of its offerings every year. Neither MUJI nor IKEA emphasizes the talents of famous designers. Instead, they both rely majorly on in-house and contracted designers. However, while IKEA usually reveals their name and make them contributors of its communication strategy, MUJI hardly discloses who they are. Nevertheless, the emphasis on design is crucial to both IKEA and MUJI, and significant in complementing the appeal of their products and the consumption of the brand experience.

### **6.1.2 Marketing strategy**

The retail offering of both MUJI and IKEA features simple, well-designed, functional goods that make use of natural materials, created with cost in mind and with clean designs that enhance quality. Although both brands embrace values of minimalism, their retail offering could hardly be described as such: IKEA's range counts over 9,000 products, while MUJI's is currently around 7,000. Starting as household goods retailers, over the years both brands have kept extending their product range up to home appliances, food items, flowers, plants, travel accessories, etc. to cover as many needs as possible inside the spectrum of everyday life. Yet, IKEA remains associated mostly with home furnishings, whereas MUJI displays a much wider lifestyle offering, which also includes clothes, stationary, books, and outdoor activities.

In accordance with their branding approach, MUJI is meant to deliver way more emotional and self-expressive benefits than IKEA, and, remarkably, buying at IKEA is not a statement against ego-enhancing brands<sup>7</sup>. Consequently, IKEA products are

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<sup>7</sup> David A. AAKER, *Brand Relevance: Making Competitors Irrelevant*, Jossey-Bass, 2011, pp. 73-74

always branded, while MUJI's are not. As for their pricing strategy, both brands emphasize cost consciousness and position themselves squarely as *low prices / high quality* brands, suggesting that they are directed at delivering quality design to the widest possible audience. However, particularly for IKEA, the emphasis on extremely low-cost products often implies that they are not meant to be durable goods, but rather disposable furniture. By contrast, MUJI promotes its products as having a long-lasting value due to their intrinsic features.

As a communication strategy, MUJI does not apply aggressive or elaborate marketing to reach its customers but, instead, focuses on spreading the MUJI philosophy just by relying on the simplicity and functionality of its products and on word-of-mouth. Unlike MUJI, IKEA makes full use of the traditional mass advertisement, and majorly relies on its iconic and colorful catalogue to inspire people all around the world to make their life at home better, by presenting many combinations of furniture pieces put together to form a complete home setting in specific styles. Moreover, almost since their foundation, both brands have included the obligatory environmental rhetoric to their communication, to further appeal to consumers by presenting the reasons why their offerings create a better existence for the people and for the planet.

Both IKEA and MUJI's lifestyle ideals are well-implemented into the store experience. Through a brand-driven collaboration between product, visual merchandising, and interior designers, MUJI stores support the brand's philosophy by exhibiting a minimalist aesthetic that enhances raw materials and a methodical product placement. IKEA portrays a similar seamless aesthetic across its store layout, product display, and advertising campaigns, and this "whole design" functions to cover both the shopping experience and the products with an aura of *Swedishness*, wherever in the world the outlet is located<sup>8</sup>. The IKEA store is indeed "a space of acculturation, a living archive in which values and traits identified as distinctively Swedish are communicated to consumers worldwide through its Nordic-identified product lines, organized walking routes, and nationalistic narrative"<sup>9</sup>.

However, the store experience at IKEA diverges from MUJI's. IKEA provides a

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<sup>8</sup> D.J. HUPPATAZ, *Critical Cities – IKEA vs. MUJI*, in "http://djhuppataz.blogspot.com", 2011 (Accessed May 31, 2017)

<sup>9</sup> Ursula LINDQVIST, "The Cultural Archive of the IKEA Store", *Space and Culture: International Journal of Social Spaces*, 12, 1, 2009, p. 44

unique shopping experience to its customers, that features not only massive furniture showrooms, but also a restaurant and childcare facilities that make its stores complete destinations for a day out with the whole family. Meanwhile, MUJI, true to its identity, delivers a retail experience closer to its brand philosophy. The stores are basic and peaceful, designed essentially to support the product display, and customers do not benefit from a fancy shopping experience; they rather get emotional and self-expressing benefits. While MUJI stores embody the compact, well-ordered view of a regulated lifestyle, IKEA's extensive retail outlets represent a visually impressive packaging of a modern, ambitious lifestyle, and its store layouts create a sense of practical comfort and entertainment<sup>10</sup>. Another point of difference is the location of the stores: IKEA retail outlets are mainly situated in the outskirts of large cities, whereas MUJI stores are usually located within the city center (in addition to its small-format stores that can be found in major train stations and airports). MUJI's wide distribution network, made of large and small format outlets, licensed stores and an online shopping site, makes it accessible and convenient for customers to encounter the MUJI experience. However, MUJI's *multichannel* presence lacks integration and simultaneity. That is, all its channels act as separate entities and therefore limit the shopping experience. By contrast, in recent years IKEA has embraced an *omnichannel* distribution strategy that allows customers to shop simultaneously across its physical and online platforms, providing them with unique and convenient services that enrich the shopping experience.

## **6.2 Consumer perspective**

### **6.2.1 Brand image**

Brand image, the overall impression of a brand as perceived tangibly and intangibly by consumers, becomes significant in framing the competitive context by which a brand

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<sup>10</sup>Robert G. DUNN, *Identifying Consumption: Subjects and Objects in Consumer Society*, Temple University Press, 2008, p. 147

moves through the world, from culture to culture, from market to market. Being it a crucial matter for lifestyle brands, it is important to investigate the brand image of MUJI and IKEA as well as how their brand is differently perceived in mother country and overseas. In IKEA's own narrative of the brand, some of the key aspects in how the company wants to be portrayed are attributes related to merchandise, such as price, value for money and a wide range of products<sup>11</sup>. Recent evidence<sup>12</sup> suggests that there is a correspondence between IKEA's intended brand image and the brand image perceived in home country. In Sweden, the wide range of articles available at IKEA, combined with affordable prices and a usual, simple design, makes it appear as an everyday thing, a natural place to go to when buying home furnishings. It is generally not perceived as a top-quality brand, and this could be explained by IKEA's low-price strategy. Outside its home market, IKEA enjoys an overall greater brand image than in Sweden. In some countries, IKEA is valued for portraying a degree of innovation and glamour, while in others it is highly appreciated for delivering low prices. In most cases, the brand image is positively affected by the exoticness of IKEA's product names and food offerings.

Nevertheless, the main reason behind IKEA's positive global reputation lies in the fact that IKEA mostly benefits from the image of Sweden. Although perceptions of Sweden and Swedes vary, of course, from country to country, the associations are overall positive and, in most cases, linked to concepts such as social welfare, justice and equality<sup>13</sup>. Sweden is generally associated with honesty, quality, modernity, and its image is of a prosperous country where there is social justice, a well-developed economy and concern for the environment<sup>14</sup>. While the brand image of IKEA in overseas markets corresponds to a currently positive perception of Sweden, the company plays an important role in influencing Sweden's image around the world in a positive manner as well. IKEA intentionally associates its brand with Sweden by choosing the colors blue and yellow of the Swedish national flag for its logo and stores,

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<sup>11</sup> Emeli RANELID and Fabiola RIVERA BELLO, *Consumer Perceptions of Store Image: A study of Ikea and Ilva in Sweden and Denmark*, in "<http://lup.lub.lu.se/student-papers/record/1341718>", 2006

<sup>12</sup> Ibid.

<sup>13</sup> Sara KRISTOFFERSSON, *Design by IKEA: A Cultural History*, Bloomsbury Publishing, 2014, pp. 84-85

<sup>14</sup> Ibid.

opting for Swedish product names, mentioning its Swedish heritage in advertisements and so on<sup>15</sup>. That is, IKEA purposefully leverages its Swedish background.

MUJI, on the other hand, has never willingly capitalized on its Japanese heritage. Rather than proclaiming its *Japaneseness*, the brand has always prioritized its products and how well they blend into the everyday life of anyone<sup>16</sup>. Nevertheless, overseas customers perceive a strong Japanese essence within MUJI products. That likely comes from the simple yet high-quality products and detailed rationality offered by MUJI, as many overseas customers identify the brand's minimalistic approach with Zen or tea ceremony<sup>17</sup>. As a result, despite the brand's pursued universality, MUJI's *Japaneseness* is constantly highlighted and appreciated, leading to an overall positive brand image. As such, MUJI's underlying attributes of simplicity, high quality, functionality, and refusal of trends are globally acknowledged. In Asia, besides simplicity and quality, MUJI's lifestyle proposal is highly evaluated, while in western countries MUJI's design is generally more emphasized than quality. In Japan, MUJI is mainly appreciated for its basicness and affordability.

However, previous research<sup>18</sup> reveals that there is a brand image difference between Japan and overseas markets. As with IKEA, the overall brand image, with both its tangible and intangible assets, is perceived higher in host countries than in mother country. MUJI in Japan started in 1980 as a sales corner of the Seiyu department store. In its mere 40 years of activity, it has been recognized by Japanese customers as a casual brand, and its products are then considered more disposable in that context. In overseas markets, on the other hand, the brand benefits from a *country-of-origin effect*, and, since Japanese companies are traditionally known for providing high-quality products, it results in a greater brand perception in host countries than in Japan. Moreover, when MUJI started its expansion overseas, the price of its offerings was on average 20 – 30 per cent higher than in Japan, making it be perceived by overseas customers as a premium brand. This, combined with the general basic

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<sup>15</sup> Eva NIESING, *Latin America's Potential in Nation Branding: A Closer Look at Brazil's, Chile's and Colombia's Practices*, Anchor Academic Publishing, 2013, p. 56

<sup>16</sup> Waka MATSUMOTO, *Quality, simplicity put MUJI brand on the global map*, in "<http://asia.nikkei.com/>", 2014 (Accessed June 2, 2017)

<sup>17</sup> Ibid.

<sup>18</sup> Akiko MASUDA, *The Store Brand Image Differences between Mother Country and Host Countries: The case of MUJI in Europe*, 11th International Marketing Trend Conference, 2012

concept of MUJI, has made MUJI achieve competitive niche positioning in each host country, eventually resulting in a higher perception of the brand image.

### **6.2.2 Brand loyalty**

MUJI has achieved in time a strong customer loyalty, mainly through its lifestyle proposition which, despite the brand's original intention of eliminating personalization, has actually evolved to provide self-expressive benefits to people who either care for self-restraint or are grown tired of frills and brands in general. Additionally, MUJI's experiential marketing, made of sensing, feeling, thinking, acting and relating, has a significantly positive effect on its brand loyalty. MUJI stimulates customers' senses and feelings, not only through mere sensorial experiences at the store, but also by involving directly customers whenever the brand carries out special marketing activities. Furthermore, MUJI encourages its customers to reflect on everyday matters and ask them to address issues. Other than that, MUJI has gained considerably higher loyalty since it started its social community and online activities in the first 2000s. By providing everyone embracing the MUJI concept with a sense of belonging, the brand has been able to fuel its word-of-mouth popularity in a simple but effective way. MUJI's online community, combined today with a newly-developed app named "*MUJI passport*", not only allows brand aficionados to express their opinions about the brand and dialogue with others, but it is also well integrated with MUJI's e-commerce and marketing operations.

Likewise, IKEA's customers are fiercely loyal to the company's unique products that blend creative design with low cost. The brand captures a very broad demographic of consumers who are looking for a trendy middle-class lifestyle while gaining the satisfaction of purchasing functional and practical products at low prices<sup>19</sup>. If compared to MUJI, however, customer loyalty towards IKEA is relatively weaker, as it is mainly based on criteria of price and customer involvement in the brand experience. Thus, the slightest change in price or shopping experience may result in a major loss of customers for IKEA. In fact, consumers who shop at IKEA are likely to choose other

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<sup>19</sup> Robert G. DUNN, *Identifying Consumption: Subjects and Objects in Consumer Society*, Temple University Press, 2008, p. 146

brands if they find cheaper brands or have bigger budgets. For such reason, IKEA has devoted itself since the early 1980s towards the creation of a solid brand community. Through a loyalty program, “*IKEA Family*”, designed to both reward customers for their purchases and let all the IKEA aficionados be a part of a broader community, the brand has cleverly brought together marketing activities, customer-driven innovation and a social platform to discuss the IKEA’s way of life. Consumers who join the IKEA community are always encouraged to share with strong commitment their IKEA works and experiences.

### 6.2.3 Value co-creation

Scholar and marketing author Philip Kotler<sup>20</sup> suggests that we have moved beyond product-based (*Marketing 1.0*) and consumer-based (*Marketing 2.0*) approaches, and now we are in the era of *Marketing 3.0*, where companies see customers as multidimensional, value-driven people who can take active roles in the creation of their own value. While many firms are still bound to a customer-based approach, in recent years the number of companies choosing new strategies to co-operate with customers in innovative and productive efforts has remarkably increased. Rather than considering customers simply as final consumers, firms nowadays actively look for engaged, mutually beneficial relationships with their customers by enabling and empowering them to be creative collaborators in the production process<sup>21</sup>. These personalized interactions between the company and consumers, as well as between consumers themselves, have thus become the locus of value creation<sup>22</sup>. IKEA and MUJI were among the first brands to adopt this collaborative approach for their business.

Witell et al.<sup>23</sup> argue the need to make a distinction between co-creation during consumption (*co-creation for use*) and co-creation during the process of innovation (*co-creation for others*). The two processes differ in their orientation: *co-creation for use* is performed by a specific customer for his or her own benefit, while *co-creation*

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<sup>20</sup> Philip KOTLER et al., *Marketing 3.0: From Products to Customers to the Human Spirit*, John Wiley & Sons, 2010

<sup>21</sup> Aron DARMODY, *Value Co-Creation and New Marketing*, in “<http://timreview.ca/article/302>”, 2009 (Accessed June 4, 2017)

<sup>22</sup> Ibid.

<sup>23</sup> Lars WITELL et al., “Idea Generation: Customer Co-creation versus Traditional Market Research Techniques”, *Journal of Service Management*, 22, 2, 2011, p. 143

*for others* is oriented towards other people. The aim of co-creation for use is to enjoy the production process and its outcome. IKEA's self-assembly furniture, MUJI's handmade cake and cookies kits, LEGO bricks, services such as cooking classes and fitness clubs where members participate in designated activities are all easy to understand co-creation *for use* cases. On the other hand, co-creation for others is aimed at presenting ideas, sharing knowledge, or taking part in the development of a product or service that can be of value for other people. Although MUJI is well-known for its dynamic internal design capability, most of its recent products have been the result of a successful step towards *collective customer commitment*<sup>24</sup>, that is involving actively customer in the firm innovation process, for example, by soliciting new product concepts from them. This is a clear example of co-creation *for others*.

When consumers co-create products, and imbue them with their own labor, they will likely perceive them as special, and thus correspondingly having an extra value that exceeds their aesthetic and functional attributes. Norton et al.<sup>25</sup> name this phenomenon the "*IKEA effect*": as with IKEA's self-assembly furniture, assembling or creating partially the products enables consumers to enjoy the positive feelings that accompany successful completion of tasks and thus increase the liking of the co-created products in comparison to the others.

### 6.3 Innovation

MUJI and IKEA's marketing strategy relies heavily on constant innovation, and the ability of both brands to innovate comes in the first place from an organizational structure that promotes creativity and communication. For IKEA, the customer experience has always been the most evident and most important area of innovation besides its products, while for MUJI, as important as process innovation has been to

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<sup>24</sup> Susumu OGAWA and F. T. PILLER, "Reducing the Risks of New Product Development", *MIT Sloan Management Review*, 47, 2, 2006, pp. 68

<sup>25</sup> Michael I. NORTON et al., "The "IKEA effect": When Labor Leads to Love", *Journal of Consumer Psychology*, 22, 3, 2012

the brand's growth, the innovation engine is mainly powered by the development of new products and a constant improving of the already existing ones. As a result, the way MUJI and IKEA implement innovation into their everyday business differs on many levels.

IKEA has been deeply rooted in innovation since its inception, and constantly strives to provide its customers with new service propositions. The high-level dedication of IKEA towards the customer experience pushes the brand to constantly improve its degree of innovation, for instance, by continuously refining its production and distribution systems, inventing new processes, trying new techniques. At IKEA, innovation happens by connecting knowledge about life at home with IKEA's experiences and discoveries throughout the entire value chain, and it demonstrates the brand's devotion not only to respond to changes in the needs of customers worldwide, but also to maintain a global brand identity and convey a constant sense of excitement among the brand aficionados<sup>26</sup>.

IKEA is always on top of innovation due to its extensive communication, openness to new ideas and strategic innovation management<sup>27</sup>. First, IKEA reports extensively its innovation strategy both to customers and employees. It communicates the innovativeness of its offerings throughout the stages of its business, leveraging the core aspects of its value proposition. Then, IKEA practically involves everyone within the company in developing its innovation strategy, from top management to store employees. There is, of course, a great number of contracted designers at IKEA who are responsible for new products and services, but designers are not the only ones in the company who are asked to come up with innovative ideas. This approach allows IKEA to integrate innovation in every stage of its business, not only in product development. In fact, IKEA is also well-known for its innovative promotion and marketing plans. Finally, IKEA benefits from an efficient organizational and governance structure that fuels growth and profitability through the astute management of innovation. In addition, the brand has a wide set of renowned

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<sup>26</sup> Ricky W. GRIFFIN, *Fundamentals of Management* (8<sup>th</sup> Edition), Cengage Learning, 2015, p. 193

<sup>27</sup> Paul SHEPHERD, *Case Study: Successful Innovation – How IKEA Innovates*, in "<https://paulshepherd.co/successful-innovation-case-study/>", 2015 (Accessed June 6, 2017)

performance assessment indicators that measure and support IKEA's innovation achievements.

At MUJI, cultivating innovation through the development and marketing of innovative products is essential for the brand to grow and prosper. MUJI follows three main routes to approach innovation and development of new products<sup>28</sup>. The first, observation, is typically performed through short visits to individual homes. MUJI places a lot of emphasis on knowing its customers, hence teams of product designers are often sent to observe the lifestyle of consumers at home, to see what new product might benefit MUJI's typical customer as well as to discover daily life struggles which the brand is still not aware of. Then, MUJI makes sure to communicate heavily with customers. Even before the popularity of social media and the internet, MUJI has always interacted with its customers to either understand their needs or willingness to buy a product, or to obtain first-hand feedback to incorporate into its products. Finally, MUJI resorts to customer-led open innovation and *collective customer commitment* to develop innovative ideas and products. This practice majorly relies on MUJI's existing online brand community<sup>29</sup>: through *IDEA PARK*, a product research and feedback web page operated by MUJI, members of the MUJI community can submit new product ideas, pre-evaluate new designs, and interact directly with the brand and other customers. Every week, the top managers of MUJI's three divisions – household, food and apparel – discuss the concepts from *IDEA PARK* and take decisions<sup>30</sup>. For the best evaluated ideas, MUJI creates a professional design specification and estimates the expected costs and the possible sales price of the item. If commercialization is considered feasible, the final design is published and, once a minimum order quantity from customers is obtained, MUJI proceeds with manufacturing and distribution. If an item fails to get the necessary number of preorders, however, it is discarded<sup>31</sup>. This user-generated type of product development fuels MUJI's innovation strategy, and at the same time supports the brand's vision of delivering a simple and pleasant lifestyle.

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<sup>28</sup> Gouri SHAH, *MUJI president Satoru Matsuzaki on branding the unbranded*, in "www.livemint.com", 2016 (Accessed June 6, 2017)

<sup>29</sup> Susumu OGAWA and F. T. PILLER, "Reducing the Risks of New Product Development", *MIT Sloan Management Review*, 47, 2, 2006, p. 68

<sup>30</sup> Gouri SHAH, *MUJI president Satoru Matsuzaki on branding the unbranded*, in "www.livemint.com", 2016 (Accessed June 6, 2017)

<sup>31</sup> Susumu OGAWA and F. T. PILLER, "Reducing the Risks of New Product Development", *MIT Sloan Management Review*, 47, 2, 2006, p. 69

## 6.4 Sustainability

As genuine lifestyle brands, the core of MUJI and IKEA's *Corporate Social Responsibility* (CSR) can be found throughout their vision and lifestyle proposition statements. MUJI stands for simply designed, functional and environmentally-friendly products, and is aimed at offering the opportunity of a pleasant life, in harmony with the community and the planet, to people all over the world. To be more specific and practical, the brand's focus is on bringing pleasure to people and beauty to their lives, as well as contributing to society, through all the businesses in which the brand engages<sup>32</sup>. Similarly, IKEA is constantly guided by its vision of creating a better everyday life for the many people, which the brand tries to achieve through a unique business idea that combines good form, function, low prices and quality with built-in sustainability. IKEA acknowledges the responsibility of its business and the role it has in society, and works to make its activities more sustainable, while driving growth and helping create a better everyday life for the many people.

Sustainability at MUJI and IKEA means ensuring environmental, economic and social welfare for now and the future. It is about operating within the limits of the planet, protecting the environment, acting in the long-term interests of the many. It implies meeting the needs of today's people and society without compromising the ability of future generations to meet their own, while promoting a powerful, healthy, inclusive and fair society where people can grow and fulfil their potential. Through their CSR activities, IKEA and MUJI leverage sustainability to drive innovation, improve their business, guide investments and benefit from new business opportunities.

Across its integrated value chain, IKEA works to have an overall positive effect on the people and communities touched by its business as well as the planet. The company is committed to good working conditions and respect for workers' rights, using resources with the utmost efficiency, producing as much renewable energy as the it consumes, driving energy efficiency throughout its value chain, as well as promoting safe chemicals, responsible stewardship of forests, water and farmlands,

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<sup>32</sup> Ryōhin Keikaku Corporate Information (Our Vision), in "<https://ryohin-keikaku.jp/eng/csr/>" (Accessed June 6, 2017)

and a fairer society that respects human rights<sup>33</sup>. It also aims at achieving resources and energy independence, thus investing in securing long-term access to sustainable raw materials, having a positive impact on the communities where it sources them and using energy consciously. Moreover, as the brand assumes that living sustainably should not be a privilege for the few, it works to inspire the millions of people who visit its stores through affordable products and solutions that enable a more sustainable life at home, by taking the lead in developing and promoting products and solutions that help customers save or generate energy, reduce or recycle waste, use less water<sup>34</sup>.

On the other hand, MUJI accomplishes its CSR commitments by constantly promoting its “pleasant life” concept to people around the world and by continuing to pursue its goal of delivering products and services that take into consideration the needs of consumers and the health of the planet. MUJI believes that through its daily business activities it can not only satisfy its customers, but also contribute to the greater community. The brand’s definitive approach towards no-branding, no-exceeding, and no-wasting would ultimately result into a renewed sensibility of living sustainably. To create a sustainable way of life, then, MUJI supervises carefully every step of its value chain, from the selection of materials to the production process, from the design concepts to the store planning. Most of the times it also incorporates recycled and discarded materials into its products and packaging. Besides the efficient use of resources, MUJI constantly strives to eliminate any unnecessary processes and to minimize packaging. As a company that promotes sustainability, MUJI proclaims and implements three promises of CSR: first, to take the challenges of global growth and development through fair and transparent business activities; second, to inquire into and offer new value and attractiveness of good products from the viewpoints of people; third, to all the various communities connected with MUJI, to offer the vision of a sustainable, simple, beautiful life<sup>35</sup>. In addition, the brand has introduced on its website a compilation of many initiatives (*100 Good Things*) undertaken by MUJI employees at every level to contribute to consumers, society, and the world.

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<sup>33</sup> IKEA Group Sustainability Strategy for 2020, in “[http://www.ikea.com/ms/en\\_US/pdf/reports-downloads/sustainability-strategy-people-and-planet-positive.pdf](http://www.ikea.com/ms/en_US/pdf/reports-downloads/sustainability-strategy-people-and-planet-positive.pdf)” (Accessed June 7, 2017)

<sup>34</sup> Ibid.

<sup>35</sup> Ryōhin Keikaku Annual Report 2016, in “[https://ryohin-keikaku.jp/eng/balance/pdf/annualreport\\_2016\\_e.pdf](https://ryohin-keikaku.jp/eng/balance/pdf/annualreport_2016_e.pdf)” (Accessed June 7, 2017)

## 6.5 Conclusions

The aim of this study was to investigate the lifestyle branding phenomenon by determining whether the culture of origin of a lifestyle brand is likely to influence not only its fundamental values and lifestyle proposition but also its marketing, product and communication strategies. To evaluate this hypothesis, a comparative analysis between the lifestyle branding experiences of Japanese *no-brand* brand MUJI and Swedish home furnishings giant IKEA has been conducted. It is interesting to contrast MUJI with IKEA as they happen to share a few key characteristics and lifestyle values that accidentally seem to tie them together. Despite their beginning as small local businesses, both brands have rapidly turned into global ambassadors of contemporary lifestyle by focusing on delivering simplicity, functionality and affordable prices to people all over the world. Curiously enough, their aesthetic sensibility and lifestyle proposition are also remarkably similar, although they come from culturally and socially different backgrounds. Beyond defining lifestyles, MUJI and IKEA represent global pioneers in terms of well-conceived designs, innovative practices and sustainable behaviors. Moreover, both IKEA and MUJI, by becoming global players while staying true to their cultural heritage, have succeeded in overturning the traditional image of global brands embodying low-to-no cultural attributes.

Nevertheless, findings from this study revealed sharp differences in the way these brands approach the global market: most notably, while IKEA's brand and retail strategies are more oriented towards delivering design and functionality at a low price to customers, with its self-assembly policy, showroom concepts, interactive shopping experience and *Swedishness*, MUJI is meant to deliver emotional and self-expressive benefits to customers through its *anti-brand* philosophy, streamlining of processes, and the overall basicness of its offerings. From a cross-cultural perspective, this study demonstrated the different stance MUJI and IKEA take towards their cultural heritage, as well as the influence it has on their strategic choices. Therefore, the hypothesis under study is evidently confirmed: while MUJI and IKEA may appear very similar on the surface, the marketing strategy and communication of these two brands reveal sharp differences as they are driven by different cultural values.

It is important to note, however, that MUJI and IKEA do not identify each other as competitors: despite a remarkably similar lifestyle proposition, brand vision and design aesthetics, MUJI focuses on a complete lifestyle offering and provides a great range of different products, whereas IKEA is still more into the furniture business and focused on storage capabilities. On the furniture side, IKEA may indeed represent a competitor for MUJI, but the no-brand brand has built a strong positioning through its unique and compelling anti-brand values, and consumers clearly set these brands apart.

In the future, it might be interesting to examine how MUJI and IKEA will furtherly deal with their global expansion mission and, consequently, assess the possible impact of their lifestyle proposition on different cultures and communities. As the lifestyle market will likely continue to grow in the coming years, it will be also interesting to identify whether, and how, the competitive landscape will change for both MUJI and IKEA.

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