

Research on Employment System of Chinese Employees in Muji Enterprises

Ruotong Liu¹, Jing Huang^{1*}

¹International Business School, Jilin International Studies University, Changchun 130117, Jilin, China

*Corresponding Author

Keywords: Employee management, Lifetime employment system, Diversified development

Abstract: Taking MUJI as the research object, this paper explores the development of MUJI in China and the lifelong employment system implemented in enterprises by means of case analysis and literature research, and reveals the reasons why MUJI has turned from prosperity to decline in China. At the same time, this paper puts forward relevant countermeasures against the crisis faced by MUJI. Including adjusting the original employment system, benchmarking local leading industries, adjusting the quality of price guarantee, reforming and innovating to achieve diversified development.

1. Introduction

“MUJI” means “a good product without a brand” in Japanese and is an internationally renowned Japanese furniture brand. In 1980s, the bubble economy in Japan caused the Japanese economic crisis to worsen. Japanese people couldn't afford the expensive daily expenses, and they demanded high quality and low price for daily necessities at that time. Therefore, “MUJI” furniture brand created by seven Japanese designers, such as Tsutsumi Seiji Kazuo and Ichigo Tanaka, was born while pursuing the quality of life. All the products of MUJI are inspired by the “emptiness” and “whiteness” advocated by Kenya Hara in Japan. There is no MUJI brand logo on the products, and they are quickly recognized by the public only through the simple design of the products.

After opening its first flagship store in Aoyama, Tokyo, in 1983, MUJI became popular and sought after by the Japanese public because of its low prices, and after its rapid popularity in Japan, it expanded its business overseas and opened its first overseas store in London. The economic growth of the flagship store in China made MUJI's managers see the importance of the mainland Chinese market and subsequently decided to shift their overseas focus to the Chinese market as well.

1.1 Muji Brand Development in China

In 2005, under the leadership of Tadao Matsui, MUJI entered the Chinese market. MUJI entered the Chinese market by positioning itself as a mid-to-high-end brand, directly targeting the “middle class,” as opposed to being affordable in Japan, MUJI's business strategy is also related to China's national conditions in the early 21st century to a certain extent. China only joined the World Trade Organization in 2008. At that time, the aesthetics of Chinese consumers had not yet been developed, so when MUJI used simple elements to enter the Chinese market, it captured the love of a large number of young people.

MUJI has gained a large number of loyal fans in China, including middle-class consumers, which is undoubtedly a breakthrough and victory. MUJI has expanded the number of stores to 100 in 2013, with all 100 stores being directly operated. MUJI has been in China since the beginning of the 21st century, and has opened more than 240 stores in China, almost all of which are located in leading cities in China.

But as China's economy continues to grow, a number of elite local brands are emerging and competing with MUJI for the Chinese market. At the same time, with the crisis of MUJI itself, the economy of MUJI In China experienced negative growth, which also led to the economic decline of MUJI's subsidiaries in China.

1.2 Muji Brand Lifetime Employment System

When MUJI entered China in 2005, it not only brought its brand idea to China. MUJI not only brought the brand concept into China, but also introduced the Japanese employee employment system into China. Like MUJI Japan, MUJI's companies in China also implement the lifelong employment system for employees. There is a talent committee system in the company, and employees' behaviors in various places are constantly regulated through employee manuals, so as to improve the efficiency of enterprises. Within MUJI, employees are usually divided into five categories: the first category is employees with high working ability and outstanding performance; The second category is employees with low talents who only meet the qualified regulations but perform well; The third category is qualified in performance but with strong talents, which is the reserve candidate of section chief; The fourth category is ordinary employees in the company, but they are very important to the company; The fifth category is employees who require managers to pay special attention to and improve their work ability. Enterprises cultivate talents through internal job rotation and job transfer. At the same time, the enterprise has also established the system of global personnel system, through which the circulation of global talents is realized, and the plan of reserving cadres has been made.

MUJI's talent management principle is "internal recruitment is preferred," so it does not recruit new employees into the headquarters. MUJI usually hires part-time employees to store managers to the headquarters, so it has a plan to reserve cadres. But this approach is also based on MUJI's introduction of lifetime employment. MUJI's lifetime employment system keeps the turnover rate low and prevents the company from having to fill a large number of vacancies.

MUJI uses a "functional wage system" in contrast to other companies that use the "functional wage system" in Europe and the United States. It also has something to do with Japanese culture, where people are more focused on teamwork and therefore don't see colleagues as competitors.

2. Reasons for the Decline of Muji Brand in China

2.1 Muji Brand Has Negative Growth in China

MUJI opened its first flagship store in China in 2005, and its performance declined in 2016. In just 11 years, MUJI experienced a process from prosperity to decline. During the 11 years of MUJI's operation in China, although MUJI was favored and admired by Chinese consumers in the early stage, in the later stage, MUJI itself encountered product quality crisis and homogenization crisis, and other competitive brands appeared in the Chinese market, which also led to the economic recession of MUJI's Subsidiaries in China.

MUJI has very little product promotion and almost no advertising and marketing in China. MUJI considers itself to adopt a product-driven model, where good products do not need to be advertised more, do they need to remind and stimulate consumers to spend through advertising. Consumers would achieve repurchase and continued product loyalty by identifying with the product. But the fact is the opposite, only a few consumers become loyal users of the product and lose a lot of potential consumers.

Now days, celebrity publicity plays a very big role in Chinese society, and most of the well-known companies in China are using advertising and celebrity endorsement to increase the popularity of their companies. However, MUJI, which has developed in China, does not advertise much. This has resulted in a wide range of audiences for MUJI, but a small number of consumers who really know about MUJI. On the other hand, the development of the Internet industry in China has also led to the development of e-commerce, but MUJI's online flagship store is not well known by the public either. If consumers do not know enough about a brand, they will not choose to buy it.

According to the financial annual report published by MUJI in 2016, although the total store sales of MUJI in China accounted for 20.4% of the parent company, from the first quarter to the fourth quarter, the growth of the total store sales of MUJI in China market slowed down (38.6%,

22.6%, 15.9% and 9.7% respectively)¹. In 2017, there was even a negative economic growth situation for the first time. In January 2020, the sudden COVID-19 also worsened the negative economic growth. From March to May 2020, the revenue of all stores of MUJI in China only reached 600 million yen, a decrease of nearly 50% compared with the past year. In July 2020, MUJI's US subsidiary announced its application for bankruptcy, and the operating status of MUJI's parent company decreased significantly compared with the same period.

2.2 Muji Brand's Operation in China

The main operational problems of MUJI brand are the serious homogenization of brand, the quality and price of products, and the competition for MUJI trademark. The first operational problem is that the brand homogeneity is serious, which makes MUJI lose its main competitiveness. When MUJI first entered the Chinese market, it adopted a brand positioning which was completely different from Japan's "economical and applicable", and defined it as a "luxury and minimalist brand". MUJI sells not only products, but also ideas. In 2005, this selling concept was loved and respected by Chinese consumers. In the same period, the same kind of brand is not recognized by Chinese consumers, and there are too many low-end brands in the Chinese market in 2005, so consumers judge the quality of goods by price. Therefore, MUJI uses "light luxury" to accurately target middle-class consumers, and its brand significance is outstanding. However, with the rapid development of China's economy, Chinese consumers no longer only pay attention to price, but more and more people begin to pay attention to quality, design and overall cost performance.

At the same time, more brands of the same type appear in the Chinese market, among which there are also various local brands in China, among which MINISO are the most famous. MINISO are also MUJI's strongest rivals in China for more than 10 years. Compared with MUJI's opening of more than 200 branches in 11 years, the rising MINISO have opened more than 4,200 stores in 7 years.

The second operational problem is quality and price. Compared with the high-speed development of MINISO, MUJI has frequent negative news. One of the biggest problems is the quality of its products. MUJI's frequent product quality problems have been heard by everyone. In China, consumers attach great importance to the quality of goods, so in the face of such serious quality problems, MUJI's response obviously did not satisfy consumers. On March 15, 2017, at the 315 party broadcast by China Central Television, MUJI was revealed that the real origin of the food being sold in the store is actually a nuclear radiation area, which is an area prohibited by the Chinese customs. Although MUJI immediately made a statement to clarify, it also left a shadow in the hearts of consumers. The news that the food safety inspection failed three times in 2019 detonated the fuse in the hearts of consumers. The issue of food safety alone is enough to collapse MUJI's good image in China over the years.

Another big problem is the high pricing of MUJI products in the Chinese market. MUJI has adopted a completely opposite strategy to the Japanese market in China, and adopted a strategy of high pricing for commodities. In the same period, there is not too much difference in GDP per capita between China and Japan, but there is a huge difference in price. The differentiated treatment formed by MUJI impacts the Chinese people's consumption concept. MUJI's strategy to deal with the high price crisis is to cut prices for 11 consecutive times, but it has not attracted more Chinese consumers. At the same time, a small number of consumers who were keen on MUJI brand were dissatisfied. Some consumers think that this move runs counter to the positioning of the brand itself, and there are contradictions, and it also goes against the original reasons why consumers chose MUJI. The high-end image created by MUJI for many years quickly collapsed in the hearts of consumers. At the same time, the price reduction measures also brought a series of negative effects, which led to the gradual loss of competitiveness of MUJI in China.

The third operational problem is the failure of trademark competition. In 2019, the trademark case between MUJI in Japan and MUJI in Beijing finally came to an end. The Beijing Higher People's Court made a judgment on the MUJI trademark competition case, and ruled that Japan's

¹ Data source: https://www.sohu.com/a/112951933_119038

MUJI Company infringed the exclusive right to use the registered trademarks of China Cotton Field and Beijing MUJI. As early as 1999, Japan's MUJI registered trademark rights in China that did not include the 24th category of goods. In the following year, Beijing MUJI Company registered and used the trademark rights of the 24th category products. In 2005, when MUJI entered the Chinese market, it was found that other enterprises had registered the trademarks of 24 kinds of products first, and immediately initiated a lawsuit against Beijing MUJI Company, thus launching the trademark battle. But no matter which side wins the bill, ten years is a process of mutual loss. In fact, this long case also sounded the alarm for other enterprises, that is, we must do a good job in trademark registration and copyright protection in advance, so that we will not bear risks and losses in the face of possible infringement cases in the future. However, this major strategic mistake of Japan's MUJI also aggravated its economic decline in China to a certain extent.

2.3 Muji Lifelong Employment System is Not Suitable for China's National Conditions

At the initial stage of MUJI's founding, a lifelong employment system was implemented in Japanese companies, which achieved remarkable results. Therefore, when MUJI appeared in the sight of Chinese consumers at the beginning of the 21st century, it also followed the lifelong employment system implemented in Japan in an attempt to achieve the same effect as Japan. Although it can improve the efficiency of enterprises and screen talents for enterprises to a certain extent, for multinational companies operating in China, the lifelong employment system in China cannot fully develop the potential of employees, and it will increase the labor cost of enterprises. Perhaps the implementation of this system in Japan is more conducive to the improvement of enterprise efficiency, because Japanese employees are more work-centered and focus on career success. In China, employees pay more attention to business ethics. Therefore, the implementation of the lifelong employment system prevailing in Japan in China will not motivate the local employees in China, but will also reduce their enthusiasm for work to a certain extent, and make them lose their focus. Moreover, the implementation of lifelong employment system in China will solidify the internal staff structure of enterprises, and enterprises without fresh blood will lose their vitality and freshness. Enterprises always stick to stereotypes and dare not innovate and develop, which will easily lead to internal mechanization, make the operation of enterprises inflexible, and will soon be eliminated.

MATSUZAKI SATORU, president of Ryohin Keikaku Co., Ltd., also proposed to establish a global personnel system standardization, aiming at the circulation of talents, hoping to realize the transfer of personnel across countries and markets through this system. The standardization of global personnel system is to make employees reach a consistent benchmark through uniform requirements and training, thus facilitating the cross-country mobility of employees. However, this system will also increase the money cost and time cost of personnel training, and the lifetime employment system implemented by MUJI itself actually slows down the development of this enterprise.

Most companies in the same period adopted a job salary system, but MUJI adopted a functional salary system. The functional wage system means that the wages of employees will increase with the increase in working ability, but Japanese people generally believe that the higher the working age, the stronger the working ability. In addition, MUJI implements a life-long employment system for employees. As long as employees do not commit major faults, they can always work in the company. As the working years increase, their wages will increase. The biggest disadvantage of the functional wage system is that the employee's wage increase is based on the employee's working years. This decision will not motivate employees, and employees will not put the company's interests first. On the contrary, it will cause employees to slack and inaction. Therefore, MUJI's low employee turnover rate is also due to the fact that the working years is related to the salary level, resulting in the situation that old employees do not go out and new employees do not come in. As a result, there are no people who can create value in the company, and they are all useless people.

MUJI always flaunts that it has achieved localization of products and employees in China, but it is still a Japanese system in terms of employee management, and it is not localized in terms of

management, which will lead to the problem that Chinese employees do not adapt to the Japanese system. It takes a long process to popularize and implement a system, but it is obvious that a huge crisis appeared before MUJI finished its work. While looking for the reasons of economic decline, MUJI should also pay attention to its Japanese-style management mode. For multinational companies, every major decision made in China should meet the needs of the Chinese market, instead of blindly adopting and copying it.

3. Muji Brand's Measures to Deal with the Crisis

3.1 Adjust the Employee Employment System and Benchmark the Local Industry

In view of MUJI's employment system, the first thing to do is to change the lifelong employment system of employees in enterprises. MUJI should work out a localized management strategy that adapts to China's national conditions after fully understanding Chinese employees. For Chinese local employees, the incentive policy can stimulate their participation and enthusiasm for work, and more importantly, it can make the enterprise blood flow. In this respect, MUJI should even better target Huawei, the leading local brand. Huawei's internal implementation of the last-place elimination system for employees, the department heads report the elimination list by setting indicators for each department, and Huawei chooses to dismiss the employees ranked at the last-place, which is the employee with poor performance. This is totally opposite to MUJI's lifelong employment system. Compared with the lifetime employment system, the last elimination system is more in line with China's national conditions, adapts to China's development and can stimulate the vitality of enterprises.

On the other hand, MUJI's implementation of a lifetime employment system followed by the application of a functional salary system resulted in a lack of incentive for MUJI employees in China. Because the functional salary system brings only the annual merit system, the employee's salary is defined by the number of years of service. This makes MUJI's employee management rigid and rigid. For Chinese employees, a salary increase is an effective way to motivate them, but Chinese companies require that the employee's salary increase be based on job performance, but within MUJI, the salary increase is based on years of service. So the inevitable phenomenon brought about is that some employees do not act, and internal corruption is the cause of MUJI's economic decline in China. In contrast, Huawei, a local Chinese company, has adopted an equity incentive policy. In Huawei, no one cares about the position and working years of employees, but only focus on the employee's contribution to the company, the higher the contribution, the higher the bonus and salary received, so as to motivate the young employees now.

Therefore, MUJI should learn from China's local leading enterprises while searching for the causes of economic recession, and should not stubbornly follow the Japanese strategy.

3.2 Countermeasures for Quality and Price

The problems existing in MUJI, such as serious homogenization, unqualified product quality, high product pricing, etc., all need managers to pay attention to and issue a plan to deal with and rectify as soon as possible.

MUJI's own "brand-free" consciousness is very resonating in Japan, and it is also highly sought after by the middle class at the early stage of entering the Chinese market. However, the times are changing and China is developing. In today's environment, "no brand" cannot attract consumers among many brands of the same type. Moreover, the biggest drawback of no brand is that there are many counterfeit knockoffs popular in the market. It is because of this "no brand" of MUJI that counterfeiters can easily imitate and sell at a price lower than that of genuine products with quality assurance. Therefore, what MUJI needs to do is to create its own brand characteristics and improve product quality at the same time. Strictly check the quality of the products produced, improve the supervision of production plants, and eliminate the problem of poor product quality. At the same time, the issue of price differentiation between China and Japan should be relatively consistent.

after positioning as “frivolous and extravagant”, we should try our best to avoid large price fluctuations and carry out the brand positioning to the end.

For MUJI, if it still hopes to have a place in the Chinese market, it needs to strictly control quality issues. In fact, Chinese consumers still have a glimmer of expectation for MUJI, hoping that MUJI can innovate itself through the crisis, change the status quo and innovate development. Because Chinese consumers still show support for MUJI's brand design concept, they are still very fond of MUJI's product design. And MUJI's philosophy of environmental protection is also in line with the current development concept in China. So if MUJI can make a change and innovate, there is still hope in the Chinese market. It is also because the world, including China's environment is changing, people are more cautious when shopping for goods, consumers have strict requirements for the quality of goods, so MUJI's product quality is not good enough to win the hearts of consumers.

On the other hand, the price of MUJI's products is also a barrier between MUJI and consumers. As China's strength increases, the nationals have also strengthened their perception of price discrimination. In both countries, MUJI has adopted different price strategies for the same products, which makes Chinese consumers believe that MUJI has price discrimination, which is not conducive to MUJI's business expansion in China. Therefore, there is still the problem of price discrimination that MUJI has to solve if it wants to continue to develop in China.

3.3 Diversified Development of Muji Brand

After facing various crises, MUJI should also change its strategy and seek development opportunities in other industries. MUJI brand should not only be confined to the home furnishing industry, but also develop towards the modern retail industry, and should not judge the preferences and needs of Chinese consumers by subjective impression. Instead, it should be combined with the current information technology to investigate the preferences and real needs of Chinese consumers through big data. So as to systematically carry out reform and innovation and actively change to adapt to China's rapid development. MUJI is not a laissez-faire attitude towards the existing crisis. On January 18th, 2018, the first Chinese store in Shenzhen “MUJI HOTEL” officially opened. In 2019, MUJI launched its first home improvement service in China. On October 15, 2020, at the investment promotion conference of a large shopping mall in Shanghai, MUJI officially announced that MUJI meal solution supermarket had settled in China for the first time. In the past three years, MUJI has successively entered various retail industries. The store design styles of MUJI HOTEL, MUJI Home Improvement and MUJI meal solution supermarket all fit the commodity style of MUJI, MUJI products can be found everywhere in the stores. A customer who experienced MUJI HOTEL Shenzhen said, “In the experience of MUJI HOTEL, MUJI products are placed in the rooms, and the design style is” empty “and” white “, which makes people instantly immersed in the concept of MUJI.”

The goal behind MUJI's initiatives is to further expand consumers' understanding of MUJI's product concepts through the development and dissemination of other industries. The aim of further expanding consumers' understanding of MUJI's product concept through the development of other industries. It can be seen from this series of measures that MUJI is still pinning its hopes on the Chinese market, hoping to retain Chinese consumers and regain market share, but the effect is not good.

4. Enlightenment

A series of negative news from MUJI and its internal structure and system also warn other non-local brands in China. As a lesson from the past, MUJI has also inspired other non-local brands in China.

The reason why MUJI faced a series of problems now is that, firstly, because of the homogenization brought by “no brand”, “no brand” cannot attract customers' attention, and this product without clear characteristics is destined to be infinitely imitated or even surpassed, so all the negative information presented to consumers in the end is poor quality and high price. Second,

because of the quality and price of goods, in China, where the economy is developing rapidly, consumers' choice of goods is quite different from that at the beginning of the 21st century. Now more attention is paid to the brand's own characteristics, the overall price-performance ratio of products and whether to transmit a positive energy value for Chinese people. Chinese customer more focus on the goods of quality and price. Third, the employee system implemented within the company is not suitable for Chinese employees, and the effect obtained is just the opposite. Therefore, for other non-local brands, it is very important to form brand characteristics and establish product personality. However, it is not enough to realize product localization. The products meet the demand, but the price is not in line with China's national conditions, which is contradictory to each other. Therefore, on the basis of realizing product localization, other enterprises should also realize production localization, staff localization and system localization, so as to reduce product costs, break the original stereotype and adapt to China's development.

For non-native brands and local brands, in China the biggest advantage is that China's large population, purchasing power brought about by the product also will increase, but also contribute to the difficulty in doing business in China's largest resistance because of large population China's large population, so for the brand preference classification is very much also, so a brand, Both native and non-native, should Chinese consumers in the first position, paying attention to the Chinese consumer preferences change, according to consumer preferences change for the next step of strategic planning, at the same time, these companies operating in China should be a better use of modern information technology, to grasp and analysis of consumer preferences in China now, In order to make the right business decision.

5. Acknowledgment

This work was supported by research on the construction of practical teaching system of entrepreneurship and innovation for human resource management, Jilin Provincial Education Department in 2020 Jilin Undergraduate Education and Teaching Reform industry-college-institute Cooperation Project.

References

- [1] Zhou Jiali. MUJI is going to open a vegetable market and the race track is doomed to be difficult to walk. *Chinese Food*, No. 2020.21, pp. 90-91, 2020.
- [2] Zheng Yuxiao. After the “Triple Door”-MUJI's Chinese Dilemma. *Chinese Handicraft*, 2020.01, pp.126-129, 2020.
- [3] Liu Yufan, Li Weiwei. MUJI offline physical hotel scene marketing inspiration. *Marketing industry*, no2020.17, pp.1-2, 2020.
- [4] Jiang Xiaoyu. The localization strategy of Japanese company MUJI official website design in China. *Technology communication*, no2021.13(07), pp.133-136,2021.
- [5] Lu Jin. Why did MUJI become “cool”. *Innovation World Weekly*, no 2019.12, pp.84-87, 2019.
- [6] Wang Yuqian. Analysis of MUJI Management Strategy. *Enterprise Reform and Management*, no 2020.07, pp. 44-46, 2020.