

## MINISO – WILL ‘MAKE FOR THE MINIMALIST’ PRINCIPLE WORK IN INDIA?

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*Minimalism??....what exactly does the term connote?*

*“The key to our success is that we have established a unique business model. With our remarkable product design, affordability and excellent shopping experience, we have created a **New Retail**”- said Miniso Co-founder Ye Goufu in an exclusive interview with CKGSB (Cheung Kong Graduate School of Business Knowledge, China's first faculty-governed independent business school), China-focused leadership and business analysis. He further explained how the 100-year-old stores of Japan were still going strong. His choice of Miniso, as the new retail format was crystallized when he could find that the physical stores and the e commerce business peacefully coexisting in America and the European countries. He also elucidated the concept of minimalism as the condition where the consumers felt saturated with the sophisticated lifestyle products and longed to replace them with the simple-designed ones, to add flavour and beauty to their lives. The perfect combination of design, price, accessibility and the consumer's shift towards minimalism made the industry yearn for more such retail stores.*



### ‘LOW PRICES WITH QUALITY’ WAS NO MORE A DREAM

Ye Goufu also elucidated the Miniso model on the price front where quality and novel designs came with competitive prices. He, in the same interaction with CKGSB, clarified that bulk purchasing format and 100% buyout was a major factor that had helped Miniso fix the production cost to the minimum. The low gross margin of 8% of the product was the other contributing factor for affordability (1).

### MINISO – GLOBAL FOOTPRINTS

When Miyake Junya, an established designer for many international fashion brands across the globe, happened to get an invite from Ye Goufu to join his venture in the new retail of household products and consumer durables with simplistic designs, the invincible, official partnership took shape into Miniso in 2013. Subsequent to that, a product centre was established with 200 staff who were seamless travellers to different fashionable cities mainly in Sweden, Norway, Japan and Denmark, came back with those trendsetting designs and injected those innovative designs into amazing Miniso products. Miniso demanded a product turnover every 21 days with new products occupying the shelves once a week just to ensure extraordinary customer experience. In the process, product display was taken up very seriously with exclusive focus on deciding the number of columns in a shelf and the related visual effects.

The international design team of Miniso participated in the supply chain process and thoroughly observed the feedback from the customers to smartly pair up creativity with practical designs. Global suppliers of repute like Givaudan and Intercos were roped in to assure delivery of brand promise and superior quality to the final customers. With diverse retail models like 100 yen stores, hypermarkets and supermarkets, the Japanese market posed a threat to the success of Miniso which focused its attention towards the customers who looked for unsophisticated structures, but still looked exotic.

With 1400 stores across the globe in 2015 and a global revenue of USD750 million <sup>(2)</sup>, Miniso officially entered the American market on 3<sup>rd</sup> August 2016. On the remarkable day of Miniso's US entry, Ye Goufu expressed optimism of further cooperation in many aspects like innovative product designs, extensive research processes and trained human resources to handle the new market.

With 2000 stores in 50 countries, Miniso made a grand entry into South Africa at Menlyn Park Shopping Centre store in Pretoria in August 2017 <sup>(3)</sup>. Immediate to follow were 6 branches in Nigeria in September 2017 with Stephanie Linus, a Nigerian cinema celebrity as its brand ambassador <sup>(4)</sup>. In December 2017, it was Kenya's turn to have the first Miniso store with The Hub Karen Lifestyle complex as the venue<sup>(5)</sup>. The brand expressed its massive ambitions to expand to Romania and India to reach 10,000 stores by the end of 2020

#### **EFFECTIVE BRAND PORTFOLIO TO BREAK INTERNATIONAL CLUTTER**

With a catchy principle of 'simplicity, nature and good quality' Miniso captured a million hearts globally with its brand's unique selling proposition of 'returning to the nature'. After its launch in the Chinese market in 2013, it went on to bring over 3500 stores in the next 5 years under its fold touching USD 2.5 billion by the end of 2018. The brand established business agreements with more than 80 countries and regions which include UAE, Korea, Hong Kong and the US market too. The brand registered a monthly growth rate ranging between 80 and 100 outlets <sup>(6)</sup>

The product offers included household items, daily utility products, fashion accessories, digital products and food items too. Because of its wide choice of distinct product variants, Miniso became a preferred brand among the minimalist consumers.

#### **THE EUROPEAN CHALLENGE**

Miniso's consistent efforts to enter the most mature retail market of the world, the European market, became a reality in 2018 with stores in Germany, Spain and Ireland. The brand conducted extensive research on the ways and means to overcome the cultural, political and the consumption pattern challenges. As a global marketer, whose focus was to 'deliver customer experience' rather than mere products, Miniso established itself in the challenging European market to offer creative designs with utility and of course at competitive prices <sup>(7)</sup>. The product differentiation strategy in categories like food, kitchen accessories, travel supplies, perfumes, toys and makeover items paid rich dividends in attracting new customers. In August 2019, Miniso conducted '*MINISO 2020 Global Spring and Summer New Product Ordering Fair*' the brand established the 'Europe Pavilion' in the exhibition venue where approximately 1000 stock keeping units, which were customized according the European customer expectation were displayed <sup>(8)</sup>

#### **Rising above allegations – Miniso continued to fascinate**



In June 2017, a major allegation faced by Miniso was that its red logo very much resembled the logos of other famous retail store chains like Muji and Daiso to which the co-founders of Miniso responding stating that the brand had its own design and that the products of Miniso looked like the products of Muji or Daiso was nothing more than a mere coincidence <sup>(9)</sup>. Moreover, Miniso's consumer durable products with minimalist tags were criticised as being lookalikes of the ones from the Japanese lifestyle brand Muji. Miniso's much talked-about retail model was slammed to have close semblances to the Japanese discount chain Daiso.

There were several articles calling Miniso a cultural copycat <sup>(10)</sup>. The brand was fancifully called as a model with **3 High & 3 Low** – high efficiency, high technology and high quality coupled with low price, low cost and low margin.

Source: <https://soranews24.com/2014/04/23/japanese-people-surprised-to-find-that-popular-japanese-store-meiso-doesnt-exist-in-japan/>

#### **IN THE INDIAN RETAIL SPACE**

In 2018, the FMCG sector in India occupied the 4<sup>th</sup> biggest segment in the Indian economy where the consumer household and the personal care products alone made 50% of the Category sales. The Indian retail market worth which was USD 840 billion in 2017, was projected to rise to USD 1.1 trillion by the end of 2020 as the organized retail was expected to register a market growth rate of 25% annually. With 11% Foreign Direct Investment in the cash and carry retail model and single -brand retail format Miniso's opportunities looked bright <sup>(11)</sup>.

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Indians' thrifty shopping patterns in the stationary segment and the other assorted segments gave Miniso absolute optimism. In 2018, Miniso had 70 stores already operational in India. Yang Liu, the Chief Business Development officer, Miniso India, in an exclusive interaction with Quartz India, a business news organization, communicated his confidence to open 800 stores by 2020 which would include tier 3 and tier 4 cities too <sup>(12)</sup>. Since its launch in 2017, Miniso opened 110 retail outlets in 41 cities. Since affordability with quality is the USP of the brand, it soon caught-up with

Source: <https://www.youtube.com/watch?v=JvUOslCIqJQ>



the value-conscious Indian consumers whose appetite for innovative phone accessories, storage boxes and perfumes was aptly satisfied by Miniso. The tier II cities like Jalandhar and Kanpur witnessed the brand's retail presence <sup>(13)</sup>. In an interview with Fortune India, Tyrone Li, India head, Miniso, said that Indian consumers believed that the brand could still reduce the price. He cited an incident where following a customer's request to bring the price of a product down, the

Source: <https://www.scoopwhoop.com/japanese-variety-store-miniso-might-be-chinese/>

brand had to replace a Spanish vendor with a Vietnamese vendor which eventually brought the price of the product by 20% <sup>(14)</sup>.

He further clarified to Business Insider in August 2019 that the brand would hit \$3 million purchase from the Indian vendors which would rise to \$25 million in 2020. He extensively explained the ambitious plans of Miniso to source the products from Indian suppliers, give them a proper design finish in Europe and Japan to be exported to the rest of the world <sup>(15)</sup>.



The designs from across the globe take shape at Miniso



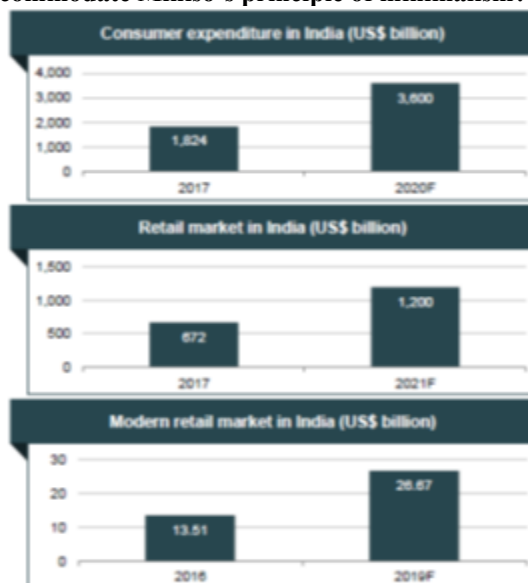
*A Miniso Head Massager  
Chess piece eraser set*



*Sports bottle  
Wide angle camera*

Source: <https://www.minisoindia.com/about-miniso/>

**Will the India retail scape accommodate Miniso's principle of minimalism?**



The ibef report on Indian retail 2019 predicted that the Indian modern retail space would touch USD 26.67 billion by the end of 2019<sup>(1)</sup>.

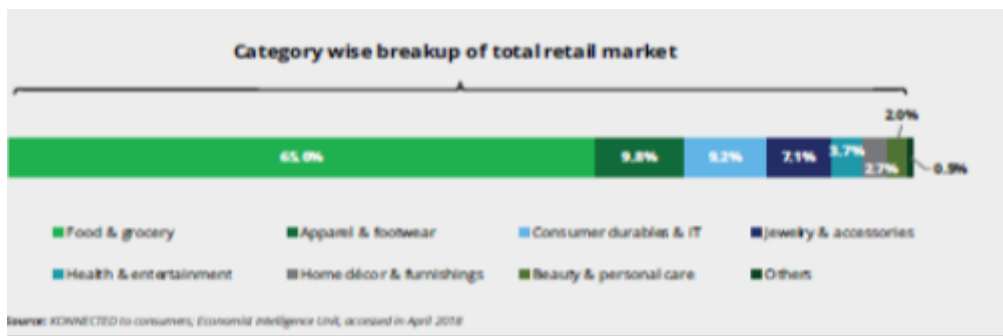
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According to the report the organized retail space would hit 18% by 2021 from 9% in 2017.

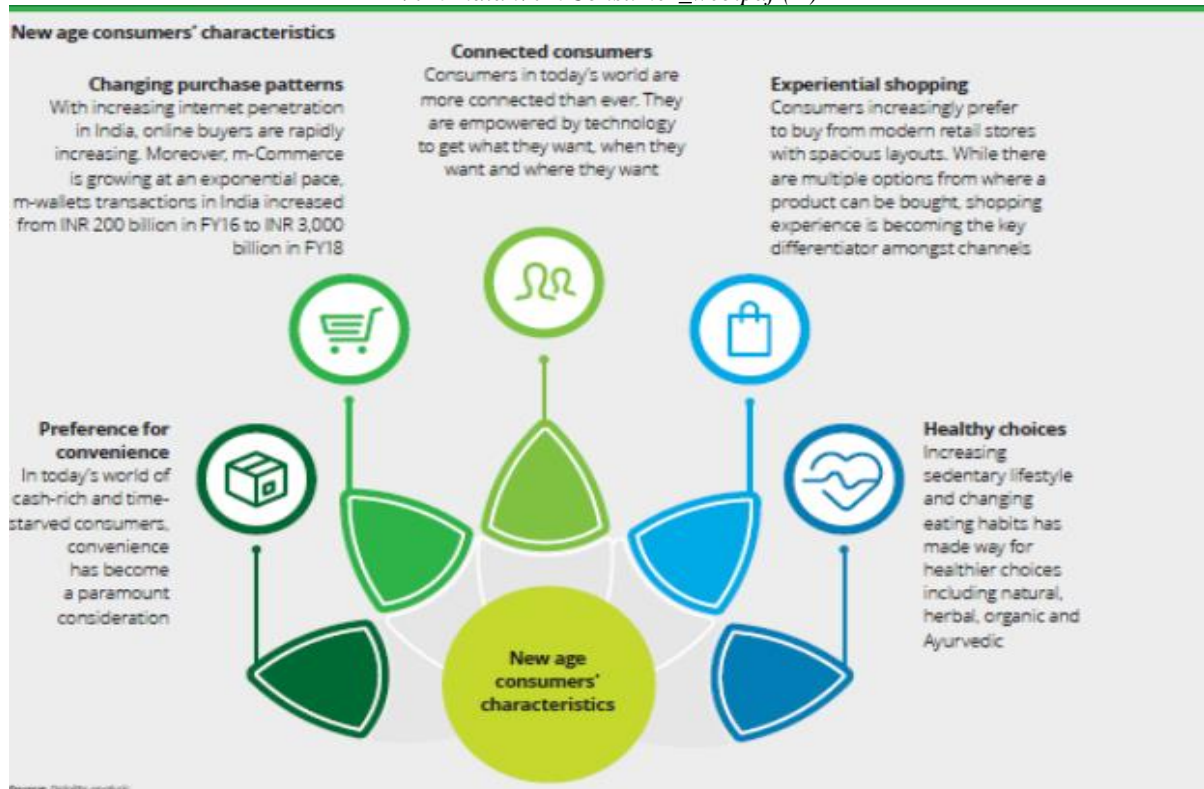
As per ‘unravelling the Indian consumers’, a retail report by Deloitte in 2019, the following split up of the retail market still boosts one’s confidence about Miniso’s probable success in the much-competed Indian retail scenario. Though the Indian consumers are familiar with the lifestyle product category, Miniso’s product lines with innovation embedded in their designs, would capture their attention.



Source: <https://www.ibef.org/download/retail-jan-2019.pdf>



Source: [https://www2.deloitte.com/content/dam/Deloitte/in/Documents/consumer-business/Unravelling %20the %20Indian%20Consumer\\_web.pdf](https://www2.deloitte.com/content/dam/Deloitte/in/Documents/consumer-business/Unravelling%20the%20Indian%20Consumer_web.pdf) (16)



Source: Deloitte analysis

Source: [https://www2.deloitte.com/content/dam/Deloitte/in/Documents/consumer-business/Unravelling %20the %20Indian%20Consumer\\_web.pdf](https://www2.deloitte.com/content/dam/Deloitte/in/Documents/consumer-business/Unravelling%20the%20Indian%20Consumer_web.pdf) (<sup>16</sup>)

The report from Deloitte highlighted the distinct personality of the new age consumers of India who shifted from brick & mortar format of retail to click & mortar by virtue of their technological proficiency and brand savviness. One could find great probability for Miniso drawing huge encouragement from that paradigm shift.

#### **THE DECISION TO WALK CREATES THE PATH AHEAD – MINISO GOES ONLINE**

In a strategic decision, Miniso partnered with the Indian B2B online platform Achhacart to reinforce its existence in India. The General Manager, Miniso LifeStyle Lin Li, asserted that the brand could expect 10% of its business from India to be from the online platforms (<sup>17</sup>). Miniso also entered into an agreement with India's homegrown e-commerce website Flipkart, wherein the latter's independent value platform 2GUD would become the online distribution venue for Miniso's products. The partnership had India's festive season as its major focus (<sup>18</sup>) (<sup>19</sup>). In all its likelihood, Miniso was to be witnessed on the major Indian e-commerce sites by the end of 2022.

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