

STRATEGIC ANALYSIS OF HAIER GROUP

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ABSTRACT

This report presents a full and thorough analysis of Haier Group's growth concerning its entry strategies into various markets, marketing outlets, R&D, market dominance, core values, analysis of human resources, financial analysis, challenge analysis, and rivalry analysis. This paper first examines Haier's overall approach to foreign expansion before turning its attention to the company's operations in India and those of its rivals. The goal of this paper is to (1) provide an in-depth understanding of the "global" strategy of Haier, as one of the most successful enterprises in present-day China, and (2) provide a model that can be applied to other companies that combine strategic and development analysis with strategy formulation.

Key Words: Home appliances; research and development; China, India, electronics; multinational corporation.

1.0 INTRODUCTION

Performing a strategic analysis entails taking a close look at the conditions under which employees are expected to carry out their duties. The culture of this workplace is indicative of the way the company functions as a whole. It's useful for gauging how things are going behind the scenes and whether or not the company can achieve its aims and objectives. Haier Group is a Fortune 500 corporation based in China with yearly revenue of more than \$120 billion (Duysters et al., 2019). The company offers a broad variety of products and services, from refrigerators for private and professional to generators for electricity and oil and gas extraction to diagnostic tools for doctors and other financial and industrial goods. In this report, a company analysis will be performed based on how Haier has entered different markets with different strategies (Arham, A. et al., 2020), its presence in the Indian market with competitor analysis, the existing promotional channels, R&D, global market share, core values, human resources, financial analysis and global market challenges with competitors.

2.0 COMPANY PROFILE

The Haier Group Company was founded in 1974 and is based in Qingdao, Shandong Province, China. Products such as freezers, air conditioners, laundry machines, dryers, microwave cookers, mobile phones, laptops, and TVs are among those that the company creates, develops, produces, and distributes. Haier, Casarte, Leader, GE Appliances, Fisher & Paykel, Aqua, and Candy are just some of the seven international namesakes that make up Haier Smart Home's home appliance company. Euromonitor reports that from 2009 to 2018 (Chen, J., 2019), Haier dominated the worldwide market for main home equipment (Haier, 2023). According to BrandZ, the Haier brand is worth \$16.3 billion, making it the most valuable IoT network brand in the world in 2019. With 2019 revenues of \$27.7 billion, Haier Smart Home landed at #448 on Fortune's Global 500 ranking (Haier, 2023). Both Haier Smart Home and Haier Electronics Group Co., Ltd. were publicly traded companies, with the latter also having a "D-share" placement on the China Europe International Exchange in Frankfurt. There is a long history behind Haier that predates the company's official establishment. Qingdao was the site of a refrigerator plant in the 1920s, established to meet the needs of the expanding Chinese market. The plant was nationalized and made into a government-run company after 1949 when the People's Republic of China was founded (Duysters et al., 2019). Over CN1.4 million in debt, bad management, and lax quality standards plagued the plant by the 1980s as a direct consequence of the planned economic system and related policies (Bauer, K., and Centorrino, G., 2017). The plant was on the verge of closing down because production had declined to the point where they rarely made more than 80 freezers in a month. Zhang Ruimin, a youthful deputy city manager in Qingdao, was put in charge of several equipment factories controlled by the city. In 1984, Zhang was promoted to CEO of the manufacturing facility (Haier, 2023).

3.0 METHODOLOGY

There has been a general pattern of stages in Haier's strategy growth, each one spanning around seven years. This study aims to analyze each stage of Haier's internationalization strategy to conclude the company's management system, the key characteristics of Haier's approach to internationalization, and the overall effectiveness of Haier's internationalization efforts. Zhang understood that he needed to strengthen Haier's domestic foundation before venturing into foreign markets. As external contexts become more unpredictable, the development of a strategy based on internal resources and skills offers a more secure basis than external market emphasis, according to the resource-based view of the company, a concept that emerged in the 1990s. In addition, it was generally recognized that contrary to what was previously believed, better income could be obtained through economic advantage. The integrity of their products was one of their biggest issues. The company had trouble competing with private firms due to its status as a state-owned entity under the jurisdiction of the Qingdao municipal administration.

4.0 ENTRY MODE TO DIFFERENT MARKETS

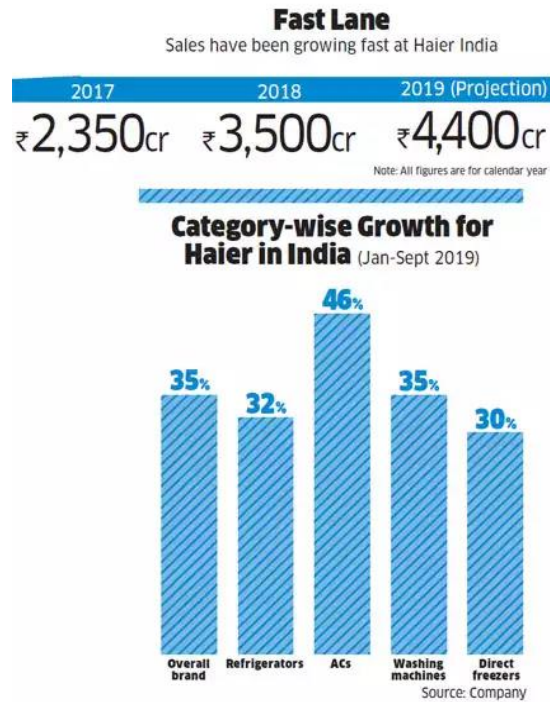
The American branch of Haier's strategy was to first target low-volume specialized markets that domestic competitors were not likely to enter (Duysters et al., 2019). Using segmentation analysis, they zeroed in on less appealing goods like mini- and wine-specific freezers and became industry champions. Now that they had a footing, Haier doubled down on their plan of dominating by appealing to a narrow population. Because it offered highly specialized, cutting-edge goods tailored to specific markets, Haier could avoid price wars with established competitors by focusing on innovation instead. Its successful line of Italian-made products was first presented to the market in 2006 (Belas, J. et al., 2021). Haier set up a sales center in northern Italy to serve as the hub for its European operations. Haier was able to gain a competitive edge in the appliance market by producing at a lower cost than its competitors, and this benefit was able to be exported from China. Working with Sanyo Electronics allowed Haier to produce and sell goods in Japan with access to the Japanese market, while in turn, Haier sold Sanyo items in China (Dani, A. C. et al., 2017). Alliances of this type show how different nations can contribute to the value chain at various points. However, it was difficult to maintain communication and cooperation within the coalition.

4.1 HAIER INDIA OVERVIEW

In 2004, Haier began activities in India, prompting the establishment of local branches of the parent business (Cumming, C., and Galt, H., 2021). A distinctive marketing theme for Haier is the promise of easier living. In the past, India's high debt percentage meant that the country had to release price limitations on foreign companies like Haier before they could enter the Indian market. Based on this advertising plan, Haier entered the 2/3 Tier and quickly expanded throughout much

of India. The motivation behind this worldwide push was to provide consumers with options that would improve their quality of life. Franchises play a crucial role in Haier's strategy for marketing and networking across the globe (Hudakova, M. et al., 2018). Franchises are becoming increasingly popular in India, and there is a deliberate plan in place to ensure that franchised stores are located in optimal, high-traffic areas (Haier India, 2023).

FIGURE1 :Category-Wise Growth for Haier India.

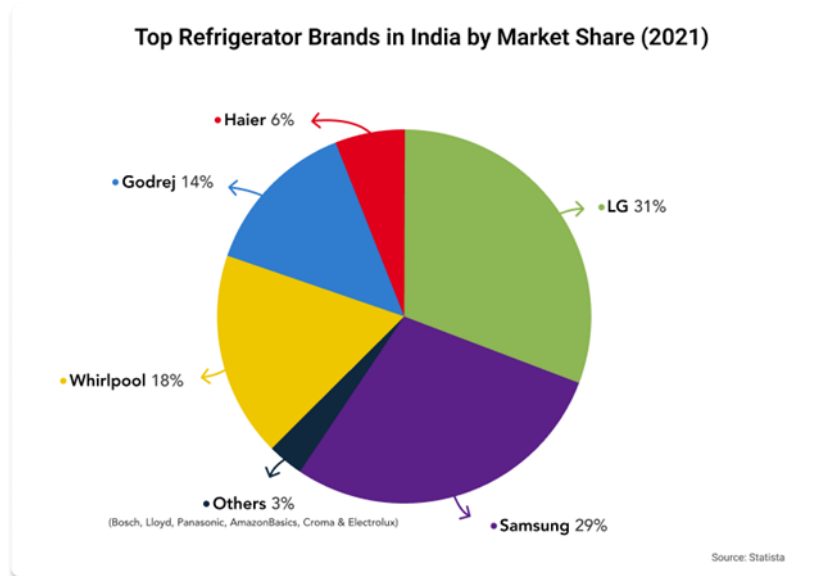


(Source: <https://economictimes.indiatimes.com/industry/cons-products/durables/inside-haiers-plans-to-shed-reticence-and-get-aggressive-in-india/articleshow/72088750.cms>)

4.2 HAIER INDIA MAJOR COMPETITORS

Intense rivalry both at home and abroad is currently the company's biggest challenge. Among Indian customers, Haier placed fifth when compared to its primary rivals in the refrigerator market. Two major competitors are Samsung and LG (Ille & Chailan, 2021).

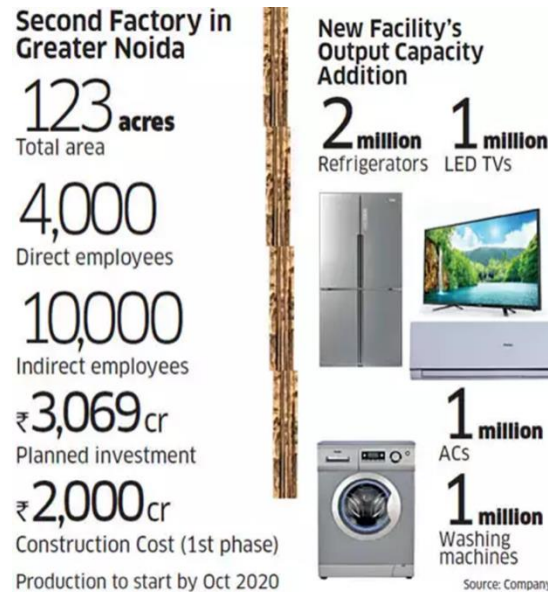
FIGURE 2.0: Market Share of Major Refrigerator Companies in India.



(Source: <https://www.grabon.in/indulge/shopping-tips/best-refrigerator-brands-india/>)

Competition in the worldwide market is fierce, especially from established multinationals like Electrolux and Whirlpool Corporation. With the purchase of Maytag, Whirlpool Corporation surpassed all competitors to become the world's biggest manufacturer of household appliances, gaining a distinguished worldwide brand name and an unparalleled degree of customer devotion in the process. Electrolux, another global competitor to Haier, is extremely competitive in hi-tech goods, having introduced the world's first talking washing machine and Automated Vacuum Cleaner (Ille & Chailan, 2021). The company faces additional danger from the effects of the price battle. The company's dominant position is further jeopardized by the influx of new competitors in the home equipment market and the resulting glut of supply compared to demand. To draw consumers during the national holiday in 2010, companies like Gome and Suning Appliance ran massive sales campaigns, including the distribution of refund vouchers and rewards, and the provision of limited special offers, like 50-inch televisions (Hussain, J. et al., 2020).

FIGURE 3:Haier is Making Progress in the Indian Market.



(Source: <https://economictimes.indiatimes.com/industry/cons-products/durables/inside-haiers-plans-to-shed-reticence-and-get-aggressive-in-india/articleshow/72088750.cms>)

5.0 PROMOTIONAL CHANNELS

To market their BMR fridge, Haier launched a promotion in 2018. On YouTube alone, the ad was viewed 19.2 million times (Lewin et al., 2020). The campaign's primary objective was to showcase the product and explain its advantages over similar products on the market and our previous experiences with it. Utilizing a 360-degree marketing strategy, Haier promoted its campaign across multiple channels, including electronic, print, television, digital and social media, in-store branding, and transmission.

Among the most well-known of these are Instagram, Facebook, LinkedIn, and Twitter; all of which Haier has accounts on. The social media platform with the most fans is Facebook (10 million), then Linked In (100 thousand), then Instagram (56,000), and Twitter (42,000) (Lewin et al., 2020). The sites feature a variety of materials that Haier hopes will appeal to prospective consumers. Promotional posts, product launches, and upcoming events are common fare on Haier's social media platforms (Kang, X. et al., 2021). The campaign's themes fit well with the company's identity.

When it comes to SEO, having fewer than 500 organic terms is bad, having between 1,000 and 10,000 is good, and having over 10,000 is excellent. The fact that Haier has over 90,000 unique terms is impressive (Kliestik, T. et al., 2020). As a result, it's safe to say that Haier's efforts to

promote its products digitally and online paid off handsomely. They've climbed to the top of Google's search results(Lewin et al., 2020).

In addition to traditional retail outlets like Reliance Retail and Croma, Haier also has an online storefront and a presence on e-commerce platforms like Amazon and Flipkart. Additionally, you can find their retail establishments in cities all over the United States.

Even though you can find Haier in the Google Play Store right now, they do not offer in-app purchases like competitors like Amazon(Lewin et al., 2020). Nonetheless, they are present, as evidenced by the existence of applications like Haier Smart Air and Haier AC Control that is directly related to the goods and services they offer.

6.0 RESEARCH AND DEVELOPMENT MANAGEMENT SYSTEM

Haier's R&D strategy mainly focuses on enterprise transformation, innovation incubation and technology application, implements the concept of subversive innovation in its R&D strategy, taking high cost-efficiency performance and high differentiation as the direction of R&D innovation. The open innovation model is building an open innovation platform, users, technology and industrial resources are introduced and effective interaction between all parties is promoted.

Haier has established a "10+N" innovation center that spans five continents, more than 20 countries and regions, 10 R&D centers, 29 industrial parks, and 122 manufacturing centers, recruits experts from all over the globe and launches partnerships with numerous established companies(Frynas et al., 2018). In 2019, R&D engineers is 16679, accounting for 16.72% of the total number of the company. In 2017-2019, the company's R&D expenditure was 4.589 billion yuan, 5.398 billion yuan, and 6.711 billion yuan respectively, maintaining a rapid growth trend, and the R&D investment intensity remained at about 3%, which was at the leading level in the domestic appliance industry (Lazaroiu, G. et al., 2021).

Haier product innovation closely focuses on customer needs, product design is aimed at the explorer of design and artists of life, with the feeling of the art of time, Minimalism and organic, Mystery (Sun Deliang, 2011). Haier Open Innovation Center 1.0 in 2012 and Haier HOPE Platform 2.0 in 2015, release requirements, integrate resources, collect wisdom from the group joined in, shorten R&D time and effectively improve R&D efficiency (Qianinfo, 2013). Eg. Haier cooperates with China Shipbuilding Industry Group in research and development, carries out cross-border technology applications, applies submarine and aerospace technology to water heater products, converts carbon monoxide generated in the use of gas water heaters into carbon dioxide, and further reduces the harm of gas leakage and protect the safety.

Haier is the industry leader in the field of smart families and other areas, having won 10 national patent gold awards and 16 national science and technology progress awards. Haier Smart Home took the top spot in the "World Smart Home Innovation Patent Ranking" for the sixth time in a

row with 4535 patents. In addition, Haier, which has led and participated in 97 international standards, provides 80% of the international standard experts and suggestions in China's home appliance sector (China Daily, 2012).

Haier establish an amazing 220,000-square-foot R&D center for Haier Air Conditioner located in Qingdao, China. A psychrometric lab, a compressor calorimeter lab, a sound and vibration lab, an EMC (Electro-Magnetic Compatibility) lab, and a substance and chemical lab are among the more than 150 distinct labs that are offered. Also, the 350-foot-tall "drop tower" at the R&D facility is the tallest in the world, allowing for the measurement of refrigerant pipeline lengths (Frynas et al., 2018). The most advanced HVAC (heating, ventilation, and air conditioning) product testing, research, and development facility in the world is located at Qingdao, China's "Haier Park" manufacturing complex. At the expansive "Haier Park," visitors can see some of the company's most noteworthy creations on display. Over a thousand distinct technical adventures can be experienced across the building's 10 themed levels(Frynas et al., 2018). All goods can be tested in the building's 150 labs to ensure they comply with national and foreign Ventilation standards. Haier open the cutting-edge research facility, hoping to once again demonstrate its commitment to becoming a preeminent producer in the heating, ventilation, and air conditioning (HVAC) industry(Frynas et al., 2018)

7.0 MARKET SHARE OF HAIER

Different from other competitors in the strategy of entering the international market, Haier's international strategy is taking developed countries as the target market first, and then exporting to developing countries, by this way, Haier's products have been widely recognized internationally, establishing the image of high-value products, and shaping the image of Haier's international brand.

In the 2021 Global Major Appliances Brand standings published by Euromonitor International-Global Authoritative Research Agency, Haier maintained its position as the world's most popular major home appliance brand(ille & Chailan, 2021). It is the thirteenth time that Euromonitor's study has shown that Haier is the world's leading major appliance brand. Haier's mission is to build cutting-edge, internet-connected products that facilitate smart contact between consumers and a suite of connected devices to provide an enhanced quality of life (Lee, S., 2021). To quickly provide customers with a smart living experience, Haier launches an assault on the construction of smart houses and neighborhoods. Products like home washing appliances, air conditioners, and refrigerators all fall under the area of "major appliances", where Haier has consistently ranked at the top.

FIGURE 4.0:Market share of Haier Smart Home Appliances

Market share of Haier Smart Home Appliances		
Y2019	Y2020	Y2021
19.70%	22.80%	25.10%

Source: <https://www.haier.com/press-events/>

According to the latest data from Euromonitor, Haier has reclaimed its place as the retail market share leader in several categories. With a global stake of 20% in the refrigerator market, Haier is far and away the most popular name in the industry.

According to Euromonitor, Haier has a 25.1% global market share in the refrigerator-freezer industry, making it the number one name in the globe. In the category of home laundry equipment, Haier is unrivaled (Oussama, C., and Jamil, C., 2020). Wash and care trend development on a global scale requires global and regional complete-line product design and cutting-edge technologies from a variety of sectors. In 2019, Euromonitor reports that Haier is the most popular name for both linked air conditioners (including smart air conditioners) and self-cleaning air conditioners worldwide (including smart air conditioners) (Lewin et al., 2020).

FIGURE 5.0: Main market share of Smart Home Appliances

Main Market share of Smart Home Appliances			
Product	No.1	No.2	No.3
Home Appliances	Haier	Whirlpool	Midea
Refrigerator/Refrigerator-freezer	Haier	Whirlpool	Electrolux
Home Laundry Equipment	Haier	Whirlpool	Midea
Kitchen Appliances	Whirlpool	BSH	Haier

Source: Euromonitor

8.0 CORE VALUES

To be an acknowledged pioneer in the worldwide HVAC market through ingenuity in technology, product, and business strategy (Haier, 2023).

Thanks to advancements in regulation, air purity, heating and cooling efficiency, and servicing, convenience has never been simpler to achieve (Haier, 2023).

9.0 HUMAN RESOURCES ANALYSIS

Workers at Haier have access to a competitive and equitable environment in which they can advance in the company. Nonetheless, their HR system and strategy are distinctive from those of other HR divisions (Schutte et al., 2020). They worry about the best way to educate and advance

future leaders in three distinct fields of job planning: Those in administrative roles, those in the professional sector, and those in the workforce. Market chain mechanism, started as "SST" based on Chinese pin yin, meaning: first, we must service our customer and obtain the associated benefits; and second if we are unable to meet the market's requirements, we must offer commensurate compensation(Liu & Li, 2022).

10.0 FINANCIAL ANALYSIS

According to Yannick Fierling, CEO of Haier Europe, Haier has maintained its position as the world's leading manufacturer of big appliances for the sixth year in a row, with a 16.3 percent market share. The next nearest brand has less than a 10 percent share.

FIGURE 6.0:Financial Data of Haier (2016-2019)

Washing Machine	2016	2017	2018	2019
Haier value market share	30.3%	35.4%	36.2%	37.1%
Volume growth	5.0%	10.8%	7.5%	2.2%
Premium segment	35.0%	50.0%	37.0%	13.0%
Mass, value segment	4.8%	10.4%	7.1%	2.0%
ASP growth	1.4%	10.7%	2.3%	6.6%
Premium segment		0.5%	13.0%	3.0%
Mass, value segment		9.5%	-0.7%	6.1%

Water Heater	2016	2017	2018	2019
Haier volume market share	18.4%	19.6%	20.3%	22.6%
Volume growth	11.2%	14.0%	0.0%	8.7%
ASP growth	35.0%	6.1%	10.7%	0.1%

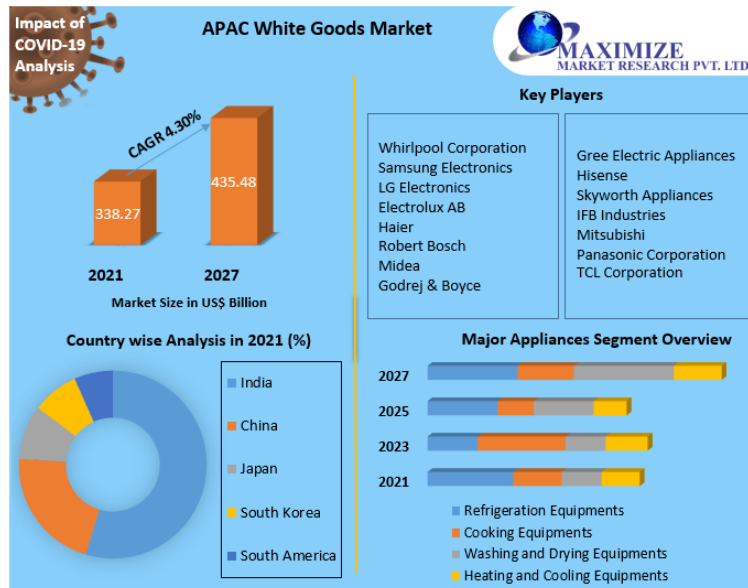
Source: <https://seekingalpha.com/article/4337531-haier-electronics-20-percent-upside-potential-in-multiple-ways>

"We are the largest household appliance business in the world with a footprint in over 160 countries, a yearly revenue of 32.5 billion Euro, and 100,000 workers," Fierling said during the company's news briefing at IFA in Berlin(Schoemaker & Kuhn, 2021). "Haier has more than 122 companies in more than 108 marketing centres in more than 29 locations worldwide. We intend to establish an additional three factories by 2025, bringing our total number of companies producing culinary and cleaning appliances to six. In five years, Haier hopes to increase its current 22.1% market share in refrigerators, 22.2% in washing machines, 22% in freezers, and 21.9% in wine

cases. Haier ranks third in the American market and fourth in Europe with an 8.1% stake, and it claims more than 20% customer base in Asia, 11.6% in Australia and New Zealand behind Fisher & Paykel, and third in both markets(Schoemaker & Kuhn, 2021). To sell 35 million linked products worldwide in 2021 and attract 115 million registered customers, connectivity is at the centre of Haier's plan. Our goal is to have all of our home products equipped with Wi-Fi so that we can take the lead in the IoT market. To further enhance in-home encounters, Haier plans to further solidify its product leadership and gain a deeper understanding of customer behavior.

11.0 CHALLENGES AND COMPETITION ANALYSIS CHALLENGES

FIGURE 7: Impact of COVID-19 on Global Home Appliance Industry.



(Source: <https://www.maximizemarketresearch.com/market-report/india-refrigerator-market/111015/>)

The Chinese government's aid program, which was designed to boost domestic spending, ran out of money in 2018. It is estimated that the initiative increased annual total sales of big goods from 0.3% in 2016 to 6.2% in 2019(Steven Chang & Ping Li, 2019). Despite the program's undeniable success with Chinese consumers, makers are likely to see a decline in demand as a result of the decreased incentive for consumers to update their products before they fail. Despite having one of the world's biggest GDPs when measured in PPP values, Chinese consumers aren't spending much

money. In addition, since China accounts for more than 70% of Haier's total sales of big products, the company will have to look elsewhere for growth (Shaun Rein, 2012).

Cost and price parity is another major issue for Haier. Since the vast majority of its output originates in China, Haier has been able to successfully contend with low-priced goods in markets outside of China, including the United States and Japan, thanks to the country's reduced labor costs (Steven Chang & Ping Li, 2019). However, China will soon lose its economic advantage as a low-cost production location for device makers as salaries in the manufacturing sector have been registering steep rises in recent years.

11.1 COMPETITORS

The top competitors of Haier in the global market are Midea, Whirlpool, Harman and Daikin. The competitors' analysis presented below is presented based on revenue, cost of goods, gross profit and net income (Xu Liang, 2012).

FIGURE 8.0: Competitors of Haier in the Global Market.

	 X Haier	 X Midea	 X Whirlpool	 X Harman	 X Daikin
Revenue (est.)	¥225.8b (FY, 2021)	¥306.7b (FY, 2021)	\$19.7b (FY, 2022)	N/A	¥3.1t (FY, 2022)
Cost of goods	¥156.5b (FY, 2021)	¥264.6b (FY, 2021)	\$16.7b (FY, 2022)	N/A	¥2t (FY, 2022)
Gross profit	¥70.3b (FY, 2021)	¥77.1b (FY, 2021)	\$3.1b (FY, 2022)	N/A	¥1.1t (FY, 2022)
Net income	¥13.2b (FY, 2021)	¥29b (FY, 2021)	(\$1.5b) (FY, 2022)	N/A	¥225.3b (FY, 2022)

Source: <https://craft.co/haier/competitors>

12.0 CONCLUSION

While Haier does make some investments in high-end luxury goods, it also offers a sizable selection of products aimed at customers with lesser incomes and more modest means (Ye & Dong, 2019). Their full selection of chilling substances is now available at a more reasonable price. These goods are reasonably priced because of variations in design and construction that keep them from

being overpriced. In addition to organic growth, Haier has leveraged smart partnerships to broaden and diversify its business(Ye & Dong, 2019). Forming partnerships with local businesses was the primary subterranean strategy of collaboration to enter the new territory and overcome all the hurdles. Haier formed local partnerships with companies like Whirlpool India, Voltas, and the Pakistani R Group. Strategic alliances have been established between Haier and various businesses such as Fedder Lloyd, Welbilt Appliances, Jemel, etc. To sum up, Haier's worldwide market tactics have been fruitful both in the near and long run. In this report, Haier, one of the leading home appliances companies in the world was analysed. The report analysed the company based on its entry modes to different markets like the US or Asian markets; its mission, vision and objectives; human resource, financial and market share, R&D and promotional channels etc. A perception of the Company's business in India was focused to highlight its market share and competitors in the country. Finally, some challenges faced by the company were focused on so that Haier can take steps to avoid future challenges and a short competitor analysis was presented to view the major competitors in the global market by market share.

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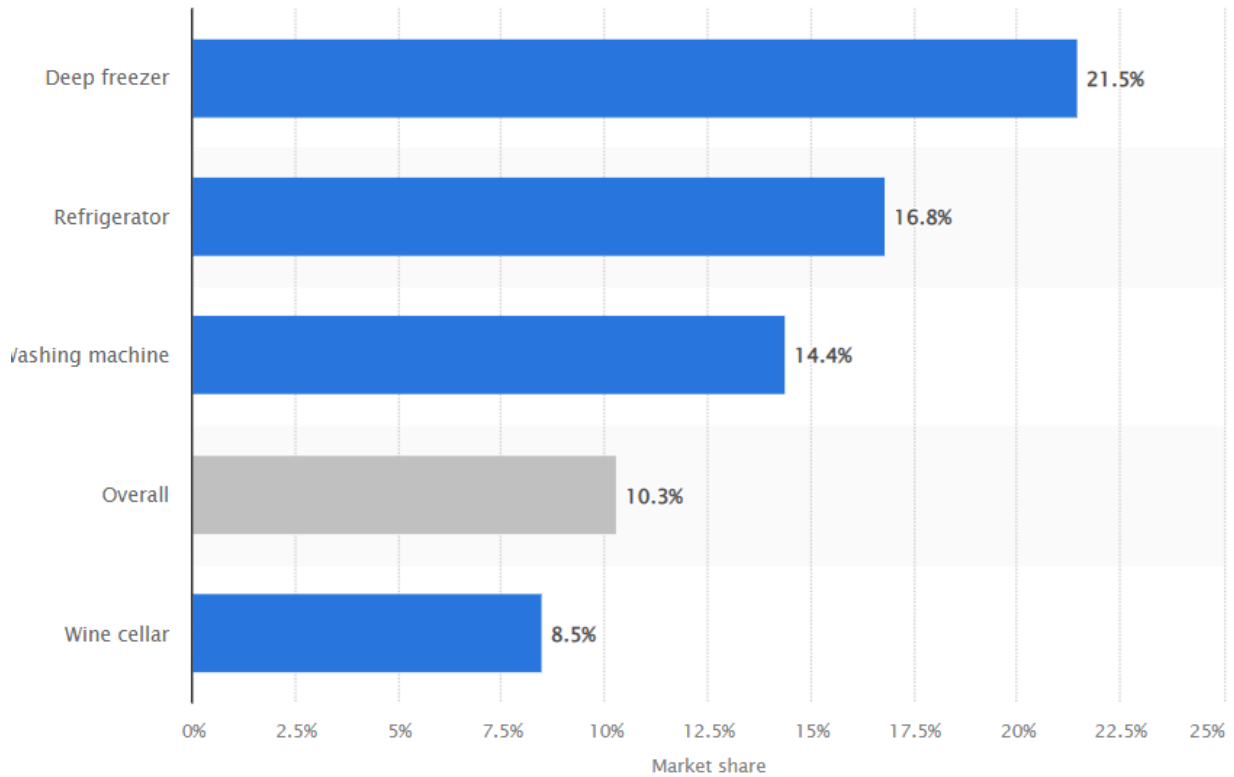
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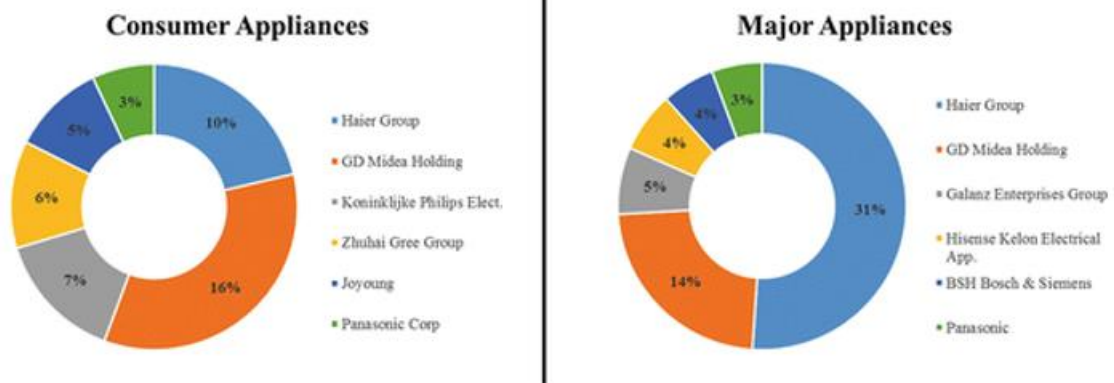
APPENDICES

APPENDIX – 1

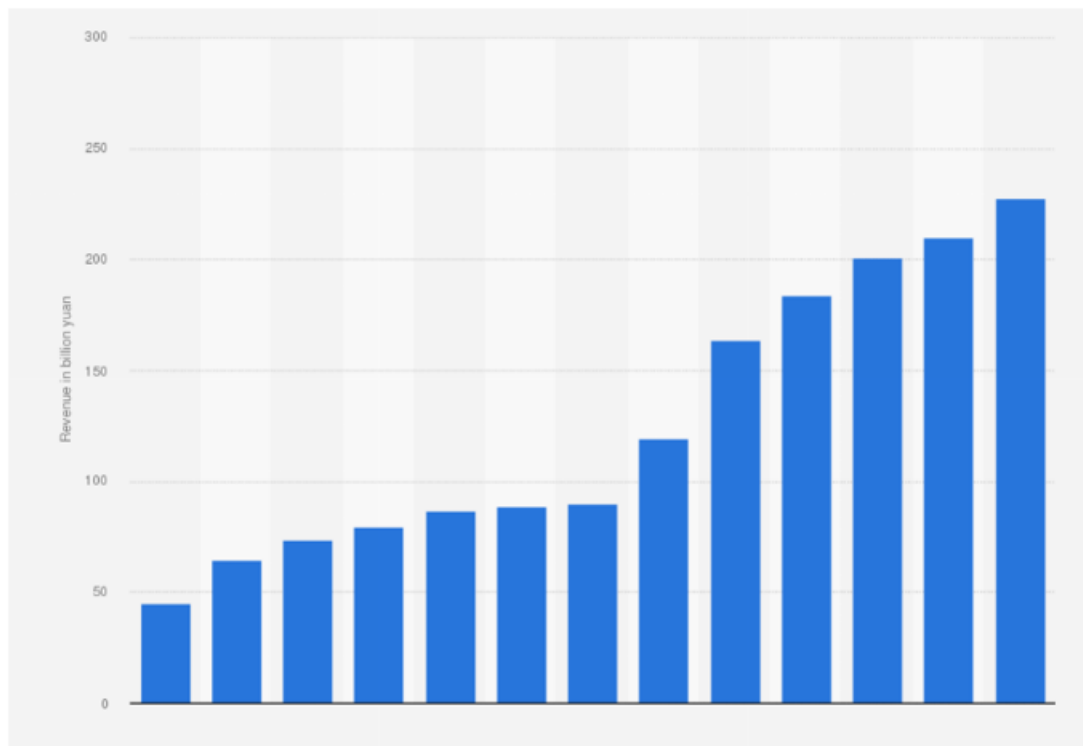


Market share of Haier Electronics in selected household appliance segments in 2019

APPENDIX – 2



APPENDIX – 3



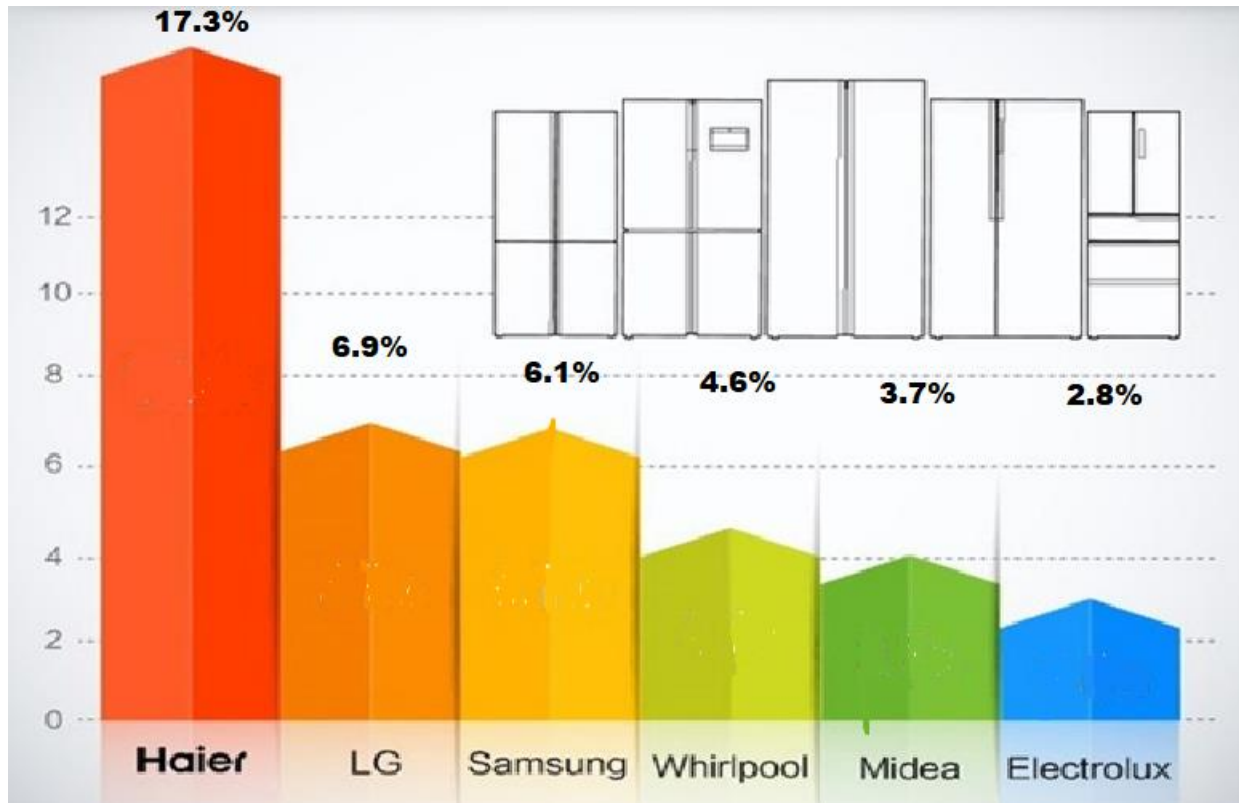
Revenue of Haier Smart Home Co., Ltd. from 2009 to 2021

APPENDIX – 4

Domestic Industry	Domestic Online Market		Domestic Offline Market	
Refrigerators	34.5%	↑ 2.3PCT	36.7%	↑ 1.4PCT
Washing machines	36.3%	↑ 2.0PCT	36.3%	↑ 2.8PCT
Air conditioners	8.8%	↑ 0.1PCT	12.2%	↑ 0.8PCT
Water heaters	23.6%	↑ 1.8PCT	20.5%	↑ 2.4PCT
Kitchen appliances	6.2%	↑ 0.3PCT	5.5%	↑ 0.7PCT
Water purifiers	23.3%	↑ 0.4PCT	21.3%	↑ 7.2PCT

Haier in the domestic market.

APPENDIX – 5



World Refrigerator Industry Enters "Chinese Era," Haier Takes the Lead (Source: Euromonitor)