
Haier: A Case Study on How One of China's First Global Brands Keeps Expanding

Florian Pallas

Abstract

In less than 30 years, the nearly bankrupt Qingdao Refrigerator Factory transformed itself into Haier, one of China's first global brands. With its roots in the consumer appliance market, Haier extended its product portfolio also to the consumer electronic market. The company succeeded in transforming itself from an imitating manufacturer to one of the world's most innovative companies. Using knowledge from several sources, Haier is able to stay up-to-date with consumers' constantly changing needs. Furthermore, Haier is constantly developing and adjusting its business strategies to meet the demands of the changing market environments. Haier refrained from major brand acquisitions to enter developed markets at the beginning of its internationalization process. Instead of purchasing an existing domestic brand to enter international markets, Haier focused on positioning itself as a local brand in the different world markets by using local staff who would build up a market-specific brand. In order to reduce its strong dependency on its domestic market, Haier is likely to extend its global activities in the more mature markets (North America and Western Europe) in the near future.

1 Introduction

Who would have thought that the success story of today's biggest appliance-maker would start with a sledgehammer and 76 refrigerators?

Joining a nearly bankrupt, collectively-owned, local company in Qingdao (China) in 1984, founder and CEO Ruimin Zhang successfully developed the Haier Group into the number one global home appliance brand. To revive the company and to raise quality awareness amongst his employees, Zhang pulled

F. Pallas (✉)
Iskander Business Partner, Düsseldorf, Germany
e-mail: florianpallas@gmail.com

76 defective refrigerators off the line and destroyed them together with his workers. Now, more than 30 years later, Haier has transformed itself from a local Chinese refrigerator manufacturer into a multinational company employing more than 80,000 employees around the world and distributing and expanding its various products in more than 160 countries and regions. Starting as a refrigerator manufacturer, Haier extended its product portfolio and is now actively developing, manufacturing and selling products in the areas of air conditioning, washing machines, mobile phones, televisions, computers or microwave ovens. It manufactures about 16,000 product varieties and is, according to Reuters in 2013, the leading global company for large home appliances for the fifth consecutive year with 9.7 % retail sales market share as well as the “Best Brand of China” (Haier 2013). In the same year, Haier was selected from more than 1200 companies as Forbes Asia’s “Fabulous 50” company based on revenue, profits, return on capital, share-price movements and outlook (Forbes 2013).

The emergence from a local refrigerator company into a global player was due to several important strategic decisions made by the CEO Ruimin Zhang. In order to better understand the company’s success on the domestic as well as the global market, this case study reviews the business strategies employed by Haier. First, a company overview is given followed by an analysis of the reasons for the company’s growth. Second, the study explores the challenges for Haier in the domestic market as well abroad. Last, the possibilities for Haier to establish itself in the (Northern) Netherlands are discussed.

2 Company Profile

2.1 History

Starting in 1984 in Qingdao (China), founder and CEO Zhang¹ took control of a nearly bankrupt, local, collectively-owned company “Qingdao Refrigerator Factory” (renamed into Haier Group in 1992). Inspired by the workmanship of German products, Zhang strived for producing high-quality products, as he saw great potential on the Chinese markets. Turning around the work ethics from the employees, he improved the company’s efficiency, discipline, and finally its quality control (Liu and Li 2002). Instead of being solely output oriented, Haier strove for a market and service oriented culture. For example, a customer called the service hotline after his 10-year-old refrigerator broke down (Khanna et al. 2011). He did not expect to receive much help for such an old appliance. Surprisingly, the next day a service man arrived at his door to pick up the old refrigerator and to return it repaired after 2 weeks. By the late 1980s, Haier established itself as being the leading national refrigerator brand in China.

In the late 1990s, Haier started to diversify into new product markets by acquiring several domestic companies with good products and facilities, as well

¹ Zhang is pronounced like “jong” and rhymes with “long” (Khanna et al. 2011).

Fig. 1 Haier's Headquarter in Qingdao (Wikipedia 2014)



as distribution channels, but with poor management. This led Haier to expand its core activities into other businesses, such as telecommunications equipment, washing machines and televisions. After Haier expanded on the domestic market, Zhang decided to venture into overseas markets by first exporting as an original equipment manufacturer (OEM) and later investing in manufacturing plants in the USA and other developed countries (Fig. 1) (Liu and Li 2002).

Today, Qingdao Haier Co., Ltd, is a multinational company with four direct subsidiaries that are related to refrigerators: air conditioners, equipment components business, small household electrical appliances, and the Haier Electronics Group Co. In 2013, Haier's achieved a global revenue of 180.3 billion RMB (29.5 billion US\$), while the profit hit 10.8 billion RMB (1.76 billion US\$) in total. Furthermore, Haier continues to extend its retail volume share to 9.7 %. It also retained the top position in Euromonitor's Global Major Appliances 2012 brand ranking (Haier 2013).

2.2 Founder

Ruimin Zhang (born on January 5, 1949 in Laizhou, Shandong) represents the rise of China's economy towards the biggest global trading power as no other manager could. As a son of a working class family, he became founder of Haier Group and is today Secretary of the Party Committee of the Haier Group, Chairman of the Board of Directors, and CEO (Haier 2014). He holds an MBA from the University of

Science and Technology of China (1995) and is a member of the Chinese Communist Party 16th and 17th Central Committee's alternate committee.

In 1984, Zhang joined Qingdao Refrigerator Factory as a Director. Inspired by his trips to Germany, Zhang realized that “the quality of the goods represented not only a company, but the whole country. I figured I couldn't raise the entire worth of China, but I could raise the worth of this company” (Newsweek 2009). With his focus on high quality and by pursuing a brand strategy, he managed to turn a small state-owned factory into a multinational cooperation. Zhang combines aspects of Chinese traditional culture with Western management concepts to successfully lead the Haier Group. “The good thing about Chinese culture is that it treats something as a whole system, the forest not just the trees” (Day 2013). Thus, Zhang believes that successful enterprises need to move with the times and adapt their management approaches as well as organizational structures to stay user-centered at all times. He introduced several enterprise or business models (e.g., Win-Win Model of Individual-Goal Combination, All-around Optimized Management Approach) that also received great interest among scholars. Zhang has been awarded by the Financial Times (amongst others) as “Asian 25 Most Influential Business Leaders” (2004) as well as “The World's 50 Most Respected Business Leaders” (2005) (see Haier's homepage for an overview of all awards) (Haier 2014).

2.3 Employees

To achieve its current leading market position, Haier organized around small cross-functional teams. These teams are able to respond faster and better to customers' changing needs as well as to identify specific competitive advantages on the markets. The about 80,000 employees are arranged into 2000 “zi zhu jing ying ti” (ZZJYTs) (The Economist 2013). These self-managed teams perform many different roles and typically contain between 9 and 30 members (consisting of at least a leader, four customer managers, and four product managers from the core businesses). Each of the units receives an individual budget and is also responsible for profit and loss, thus functioning almost like an independent company. The ZZJYTs operate in market research, product design, or production and manufacturing. The incentive system is directly related to the units' individual performance (reflected in explicit key performance indicators). The goal of the ZZJYTs is to encourage open innovation as well as entrepreneurial spirit.

Another aim of using ZZJYTs is also to attract, foster, and retain talented employees. Haier's culture offers employees the opportunity to constantly compete and “fight” for the leading position (Khananna et al. 2011). Any employee is free to propose new product or service ideas which are voted on by their colleagues as well as by suppliers and customers. If the decision is positive, the idea provider becomes project leader and is responsible in forming his/her team. Zhang claims that this “unsteady and dynamic environment is the best way to keep everyone flexible” (The Economist 2013) and therefore pushes employees to deliver the best results and constantly improve themselves.

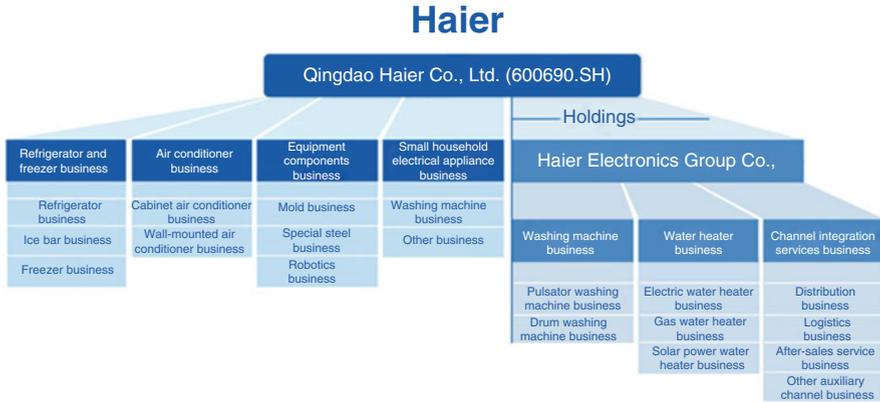


Fig. 2 Haier’s Group chart (Haier 2014)

2.4 Product Range

Haier is mainly present in the consumer appliances market in China as well as worldwide, as it possesses a wide product portfolio covering both major² and small³ appliances. Haier possesses a strong product range suitable for smaller homes with price-sensitive budgets (although the products are still priced higher than their domestic competitors) but which nevertheless demand a higher quality. The company’s core products include refrigeration appliances, home laundry appliances, air conditioners and water heaters (see Fig. 2 for an overview of Haier’s product divisions).

Yet, Haier’s product range also includes consumer electronics, which encompass computers and in-home consumer electronics, as well as home video and televisions. In the last years, Haier has transitioned from solely selling products to providing complete smart appliance solutions. The idea of smart appliances is to provide simple and seamless connectivity with the consumers’ mobile devices. This way, it allows the consumer to manage and control their appliances from anywhere in the world.

2.5 Revenues

Haier Group’s global revenues have been constantly increasing from 2008 to 2013 and accumulated about 180.3 billion RMB in 2013 (see Table 1). Revenues grew on average by 7 % (based on YoY growth), while net profit growths were on average around 6 % (without 2011). Net profit margins grew by 2 % in 2008 and increased up to 6 % in 2012 as well as 2013.

² Major appliances include: Dishwashers, home laundry appliances, large cooking appliances, microwaves and refrigeration appliances.

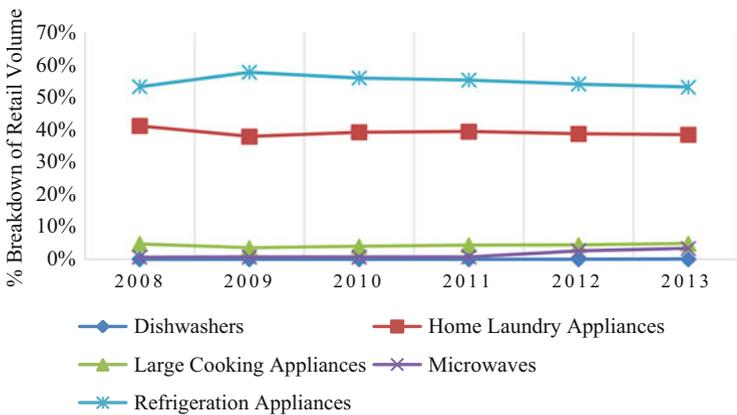
³ Small appliances include: air treatment products, food preparation appliances, heating appliances, irons, personal care appliances, small cooking appliances, small kitchen appliances (non-cooking) and vacuum cleaners.

Table 1 Haier Group approximate revenue and net profit (in RMB billions): 2008–2013 (based on Khanna et al. 2011)

	2008	2009	2010	2011	2012	2013
Revenue	122.0	124.0	136.0	150.9	163.1	180.3
YoY growth (%)	3	2	10	11	8	11
Net profit	2.2	3.5	6.2	n.a.	9.0	10.8

Table 2 Haier Group approximate revenue breakdown (in RMB millions): 2005–2010 (Khanna et al. 2011)

	2005	2006	2007	2008	2009	2010
Domestic sales	83,642	83,453	87,095	89,829	93,771	99,344
As % of total revenue	81	78	74	74	75	72
Exports from China	11,052	14,285	16,467	16,180	16,081	19,186
As % of total revenue	11	13	14	13	13	14
Overseas made and sold	9020	9762	13,847	14,635	14,909	18,562
As % of total revenue	9	9	12	12	12	14
Total revenue	103,714	107,500	117,409	120,644	124,761	137,092

**Fig. 3** Haier Group's % breakdown of retail volume by category in major appliances in China 2008–2013 (Euromonitor International 2014a)

Most of Haier's revenues are still made in the domestic market China. In 2010, the domestic sales revenues accounted for about 73 %, whereas the remaining 27 % were achieved via exports (14 %) and overseas manufactured and sold products (13 %) (Khanna et al. 2011). These numbers indicate that Haier still relies heavily on its home market (see Table 2).

Haier's revenues are mainly obtained from the categories home laundry as well as refrigerator appliances. These represent Haier's main sources as both accounted for about 92 % of the total retail volume in 2013 in China (see Fig. 3 for the development from 2008 to 2013).

2.6 Business Strategies

Haier's business strategies have been constantly adapted to the changing market environments in order to meet customer needs and generate continuous revenues. The development of Haier's strategies can be divided into five phases (see Fig. 4 for an overview).

In the first period from 1984 to 1990, Haier's primary objective was to pursue a brand-building strategy. Although many Chinese companies focused on expanding and selling large quantities, Haier made high-quality a priority. Zhang believed that Chinese consumers would be willing to pay a premium price for higher-quality products as well as reliable services. In order to achieve this, Haier signed license agreements with the refrigerator maker Liebherr (Germany), imported advanced technologies and equipment from abroad, and created joint ventures with Mitsubishi (Japan) and Merloni (Italy) (Khananna et al. 2011). These strategic steps helped Haier to better understand the technology of the high-quality products in order to imitate and design a product independently. During this period, although other domestic companies started reducing their prices, Haier stuck to its beliefs and differentiated itself with its high-quality products on the Chinese market.

In the 1990s, Chinese state policies stimulated mergers and acquisitions which led Haier to acquire eighteen domestic businesses to diversify their operations in the appliance market—washing machines, telecommunications equipment, and televisions—and expand their scale. The aim was to acquire “only those firms which have markets and good products but bad management,” Zhang said (Xaingwei 1997). These companies were taken over at low prices and brought up to Haier's standards by introducing a new management team as well as implementing a new quality control.

In the early 1990s, Haier also began to export overseas as a contract manufacturer for multinational brands. Starting in Germany, among others, Haier-brand refrigerators were marketed by Liebherr. After beating Liebherr in a blind quality test performed by a German magazine, Haier decided to market its own brands



Fig. 4 Development of Haier's business strategies (Haier 2014)

internationally to establish greater international brand reputation. Using a “three-step strategy” of “going out, going in and going up”, Haier started on focusing on difficult, developed markets first. In this way, they met the highest quality standards and were later better able to convince emerging market retailers to carry their products, due to the experience from the US and European markets, and to grow in these markets.

When the internet age began, Haier took the opportunity of customized demand and fragmented marketing. Following a global brand strategy, the company implemented its strategy of international branding. The global brand for the internet era was established by transforming the company from one who solely sells products to one who sells service. Haier focused at positioning itself as a local brand in the different world markets by using local staff who would think and act local. In the USA, for example, they wanted Americans to build up Haier America. The company aimed to localize design, manufacturing and sales processes to create localized mainstream brands which were still different.

To address the new challenges of advanced technologies and the customer’s constant access to various information, Zhang initiated Haier’s fifth business strategy phase: Networking Strategy. In this phase, Haier focused further on being user-centric and established itself as a networking organization. To achieve this, Haier combined its global resources in R&D, manufacturing and marketing to create a customized home appliance solution for consumers *with* their consumers to meet the customized need for product design, manufacturing and delivery.

2.7 Quality and Innovation

Since the beginning of Haier, Zhang’s focus has been always on providing high-quality products as well as services. This aim is supported by the promise to provide a full refund to any dissatisfied customer with a Haier product within 90 days after purchase. This has been recognized by several associations which have awarded Haier for its general high-quality (e.g. China Quality Award in 2013).

Besides the demand for high-quality, Haier constantly searches for innovations/innovative ideas in order to win consumer awareness and to meet their needs in the worldwide marketplace. It is recognized for disruptive innovation with the goal to provide world class products to its consumers. The company is able to foster domestic innovation without the technology transfer from Western companies (Backaler 2010). The company uses an open platform which provides top home appliance solutions to its users. Through strong strategic partnerships with suppliers, research institutions, and prestigious universities, Haier had filed 15,737 patent applications (10,167 granted patents) by the end of 2013, demonstrating its innovativeness. Furthermore, Haier has been recognized as one

of the world's most innovative companies (and one of China's top ten leading innovative companies) which is due to its flexible and self-organized employees (ZZJYTs) (Inside Retail Asia 2014). For example, recent product innovations were initiated and developed by a ZZJYT which used knowledge and input from 670,000 internet users via an online engagement program. This form of open innovation ensures that Haier is up-to-date with the changing consumer needs in order to stay ahead of the competition.

3 The Rise of the Company

3.1 Growth Development

On the domestic market, Haier has been growing well ahead of competitors for the past 5 years (see Fig. 5). Compared to its three major competitors (GD Midea Holding Co. Ltd., Galanz Enterprises Group Co., and Hisense Kelon Electrical Appliance Co. Ltd.), Haier retained a strong average growth of 18 % over the period from 2008 to 2013, outperforming them by about 10 %. In 2012, when the crisis also caught up with the industry, Haier managed still to grow by 7 % while its competitors lost major sales (-7 %).

In the global market, Haier has been still heavily relying on the growth (CAGR of 23.5 %) and market size (200 million units) of the Asian Pacific region (see Fig. 6). By acquiring Sanyo in 2011, Haier shifted its activities to more mature markets and reduced its reliance on its home market. Furthermore, Haier was able to establish a strong position behind Electrolux AB in Australasia. Haier's weakest presences are in Eastern Europe and Latin America with only company shares of around 1.5 %. In North America, Haier managed to increase its shares by 2 % points from 2008 to 2013 but is still lagging behind the three biggest competitors

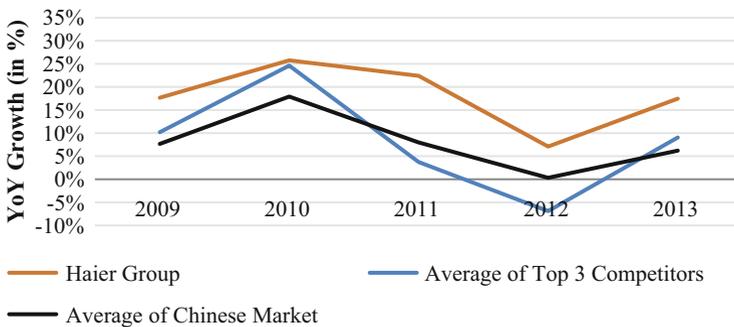


Fig. 5 Development of consumer major appliances market in China (retail volume growth) 2009–2013 (Euromonitor International 2014a)



Fig. 6 Haier's major appliance presence in 2013 and growth rates by region 2018–2013 (Euromonitor International 2014a). *Note:* Bubble size shows Haier's company share per region in 2013. Range displayed 1.2–23.5 %

Whirlpool Corp., General Electric Co., and Electrolux AB. In the second biggest market, Western Europe, Haier is still struggling to gain company shares and has less than 2 % volume in this market.

3.2 Position in the Home Market

While Haier remains second in the overall consumer appliance industry behind GD Midea, it constantly grew its retail sales volume by an average of 16 %. Up until 2011, GD Midea posted strong year-to-year sales growth in China by benefiting from the Chinese government's subsidy program for mass appliances. It has the leading position according to retail sales volume and remains the number one competitor for Haier. Lately, GD Midea, however, suffered from decreasing retail volumes and thus Haier was able to reduce the gap to the market leader (see Fig. 7 for an overview).

Regarding the market in major appliances, Haier retains its leading position on the domestic market in 2013 ahead of its Chinese competitors GD Midea and Galanz Enterprises (see Table 3 for an overview). From 2008 until 2013, Haier increased its market share by 11 % points confirming its constant growth.

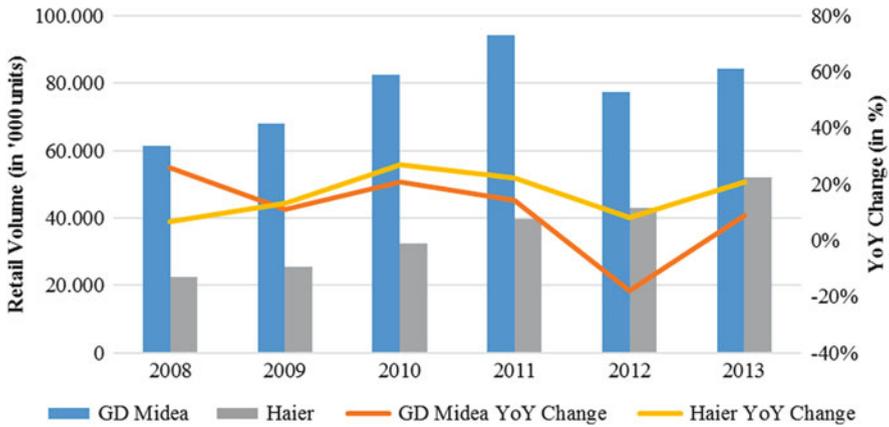


Fig. 7 Haier Group versus GD Midea Holding: Consumer appliance (volume sales) 2008–2013 (Euromonitor International 2014a)

Table 3 Company shares (in %) China: major appliances 2008–2013 (Euromonitor International 2014a)

Companies	Base country	2008	2009	2010	2011	2012	2013
Haier Group	China	19.6	21.4	22.9	25.9	27.7	30.6
GD Midea Holding Co.	China	14.9	15.5	17.6	17.8	13.2	13.8
Galanx Enterprises Group Co.	China	5.3	5.4	5.1	4.4	4.5	4.5
Hisense Kelon Electrical Appliance Co.	China	3.4	3.5	3.8	3.8	4.0	4.1
BSH Bosch & Siemens Hausgeräte GmbH	Germany	2.6	2.6	2.9	3.0	3.3	3.6
Panasonic Corp	Japan	2.7	4.2	4.1	4.0	3.7	3.4
Zhongshan Vatti Gas Appliance Stock Co.	China	2.3	2.3	2.2	2.4	2.8	3.0
Henan Xinfei Electric Appliance Co.	China	4.0	4.1	3.9	3.8	3.0	2.5
Hangzhou Robam Industrial Group Co.	China	1.7	1.6	1.6	1.8	2.1	2.4
Others		43.6	39.2	35.8	33.0	35.8	32.2

3.3 Position in the Global Market

Haier's position in the overall consumer appliance market has been constantly improving. In 2008, Haier still placed 13th in terms of retail volume (measured in '000' units), but only achieved one third of the market leader's retail volume (Philips Electronics NV). In 2013, the company managed to place sixth due to its steady growth in the last 5 years (see Fig. 8). Haier has managed to outgrow its major competitors and is trying to close the gap.

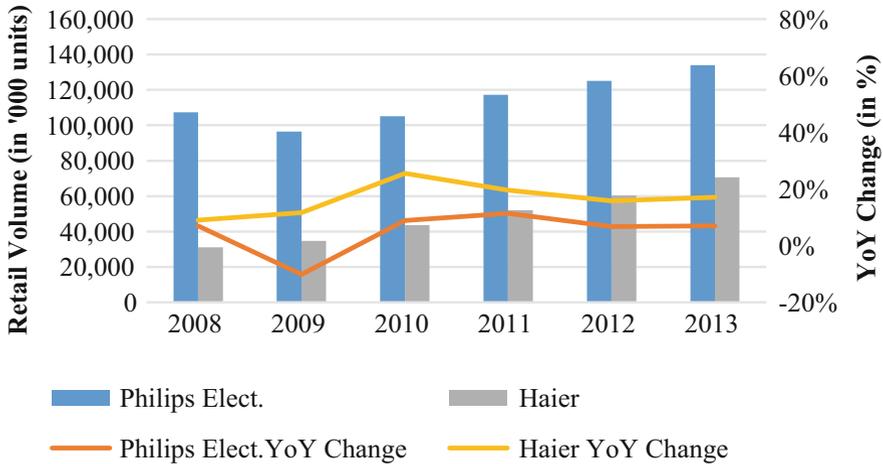


Fig. 8 Haier Group versus Philips Electronic: Consumer appliance (volume sales) 2008–2013 (Euromonitor International 2014a)

In the global major appliances market, Whirlpool lost its first place to Haier in 2012, which has been consistently striving for the leading position in the market (see Table 4).

Haier's strong role in the emerging Chinese market has helped the company to rise in the rankings, while companies from Western countries (e.g., USA, Germany etc.) were losing ground due to the maturity of their home market. In 2013, Haier has increased its company share (based on retail volume) by 5.7 % points compared to 2008 and is supposed to continue with this trend.

3.4 Becoming a Brand?

The Haier Group has adopted a multi-brand strategy and maintains three key home grown brands: Haier, Casarte and Leader (see Fig. 9 for the logos of the three brands). Haier remains the flagship brand which is the most widely distributed and addresses the largest target audience. It is used for the key major appliance categories as well as the consumer market (Euromonitor International 2012). For its premium products, Haier Group has introduced Casarte. It aims to combine the best of European design and link functionality to aesthetics. Combining the best in global design and innovation, Casarte has already won the annual design award from “Business Week” or “Best of the Best Award” from Germany. Leader is considered to be a brand for the household appliances of Haier Group and provides tailor-made household appliances. Consumers are designing for consumers and the products are thus completely based on consumers' demands.

Table 4 Ranking of the top 10 global companies for major appliances (retail volume) 2008–2013 (Euromonitor International 2014a)

No.	Companies	Base country	2008	2009	2010	2011	2012	2013	2013 % company share
1	Haier Group	China	4	2	2	2	1	1	11.6
2	Whirlpool Corp.	USA	1	1	1	1	2	2	9.3
3	Electrolux AB	Sweden	2	3	3	3	3	3	7.2
4	LG Corp.	South Korea	5	5	5	5	4	4	5.9
5	BSH Bosch & Siemens	Germany	3	4	4	4	5	5	5.8
6	GD Midea Holding	China	7	7	6	6	8	6	4.1
7	Samsung Corp.	South Korea	6	8	8	8	7	7	4.1
8	Panasonic Corp.	Japan	10	6	7	7	6	8	3.7
9	Arçelik AS	Turkey	11	11	11	9	9	9	3.3
10	Indesit Co. SpA.	Italy	8	10	9	10	10	10	2.8



Fig. 9 Logos of the three major brands of Haier Group (Haier 2014)

The three main brands of the Haier Group are already well-known on the domestic market. While Haier already gained worldwide recognition, Casarte's and Leader's presence still remain somewhat unimportant on the global market.

3.5 External Driving Forces for Haier's Growth

Several external factors have helped Haier to grow domestically and expand internationally. One of the most important factors enhancing Haier's success was the subsidy program initiated in 2009.

This governmental subsidy program for rural areas (15 billion RMB) supported rural residents to purchase appliances by covering up to 13 % of the occurring costs (Business Insider 2012). The program aimed at increasing domestic consumption to strengthen economic growth as the financial crisis reduced the foreign demand. Ending in 2012, the program was a major success for China's white goods industry with growth rates reaching double and sometimes even triple figures (Business Insider 2012). Mainly due to the subsidy program, Haier succeeded to double its growth within the first quarter of 2010 (Backaler 2010) and to grow on average by about 13 % from 2009 to 2013 (Khananna et al. 2011).

Furthermore, Haier's activities to internationalize were also further encouraged and enhanced by the Chinese government. Introducing the "going out policy", China intended to foster domestic companies to expand into foreign markets (Backaler 2013). This policy advocated Haier's internationalization ambitions by providing access to low (or even free)—interest capital.

4 Future Developments

4.1 What Are the Future Challenges to Be Overcome at Home and Abroad?

There are two major challenges (domestically as well as globally) that Haier needs to overcome in order to ensure the company's success.

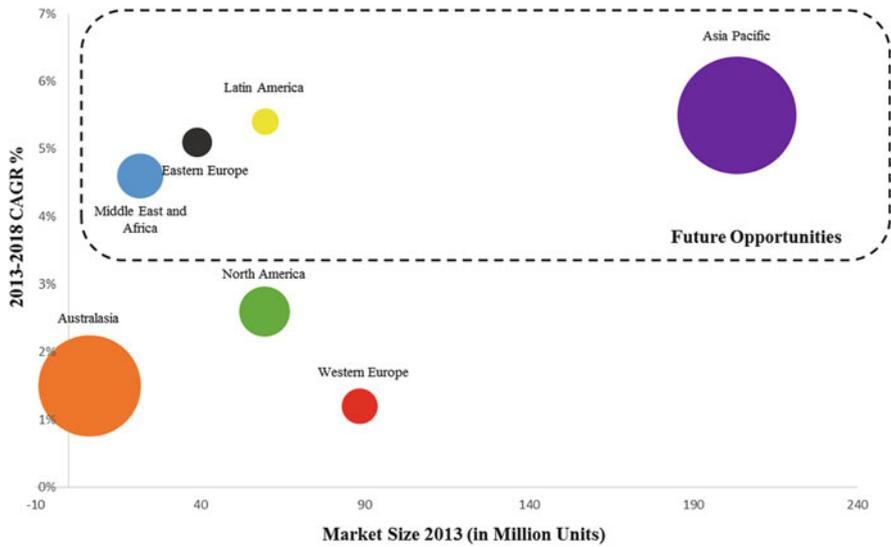


Fig. 10 Haier’s major appliance presence in 2013 and assumed growth rates by region 2013–2018 (Euromonitor International 2014a). *Note:* Bubble size shows Haier’s company share per region in 2013. Range displayed 1.2–23.5 %.

4.1.1 Reliance on Domestic Market

Although, Haier expanded its international activities, 74 % of its sales volume still takes place in its domestic market, making the company strongly dependent on one region.

In order to reduce this reliance, Haier should expand its activities in particular in Latin America as well as Eastern Europe. At this moment, Haier has only a weak presence in both regions but both regions are expected to grow strongly. With a CAGR of about 5 % over the 2013–2018 period, these regions offer strong opportunities to expand and secure Haier’s continuous growth (see Fig. 10).

4.1.2 Government Support and Economic Changes

The Chinese market for consumer appliances, and thus Haier, was heavily reliant on government subsidies and intervention. Thus, any future changes in the Chinese government can have negative as well as positive effects on the company’s success. Haier’s growth from 2009 to 2013 was greatly enhanced by governmental actions. As the subsidy program expired in 2012, Haier needs now to compete more aggressively to maintain as well as enhance its growth. Furthermore, due to China’s economic growth and, as a consequence thereof, a higher pressure on rising wages, Haier’s cost advantage might diminish soon. Haier should therefore

aim to move to the higher-end markets in China as well as abroad in the long run. In China, the company has already tried moving to the high-end market with its brands Casarte and Leader.

4.2 Current Competitors and in the Future

On the domestic market, the competition for Haier is moderate (see Fig. 11). In the general consumer appliance market (incorporating both small as well as major appliances), Haier is currently ranked second place after GD Midea with about 10 % market share. Although competitors like Philips Electronics NV (the Netherlands) as well as Zhuohai Gree (China) are close behind Haier, Haier with a growth of 15 % from 2012 to 2013 is most likely to close the gap to GD Midea. Looking at the major appliances market, one encounters similar competitors. The market is mainly led by two companies, Haier and GD Midea. The other (mainly Chinese) competitors are rather a minor threat with market shares around 5 %.

The situation on the consumer appliance market worldwide has rather a balanced distribution among the main competitors with Philips Electronics NV as well as Groupe SEB (France) being market leaders (see Fig. 12). Yet, BSH Bosch & Siemens (Germany) (currently placed 11th) is going to be a potential threat in the future with growth rates of 11 % from 2012 to 2013. Haier will probably move closer to the market leaders with growth rates above 13 % within the last 3 years. For major appliances, Haier is the global market leader with 12 % followed by Whirlpool Corp. (USA) as well as Electrolux AB (Sweden). However, similar to the general consumer appliance market, BSH Bosch & Siemens, Samsung (South Korea) as well as LG (South Korea) are potential competitors in the future with growth rates between 6 and 9 %.

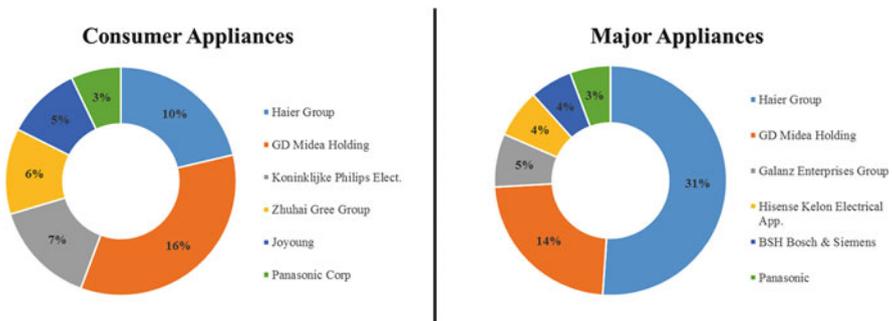


Fig. 11 Overview market share in China (consumer appliances and major appliances): 2013 (Euromonitor International 2014a)

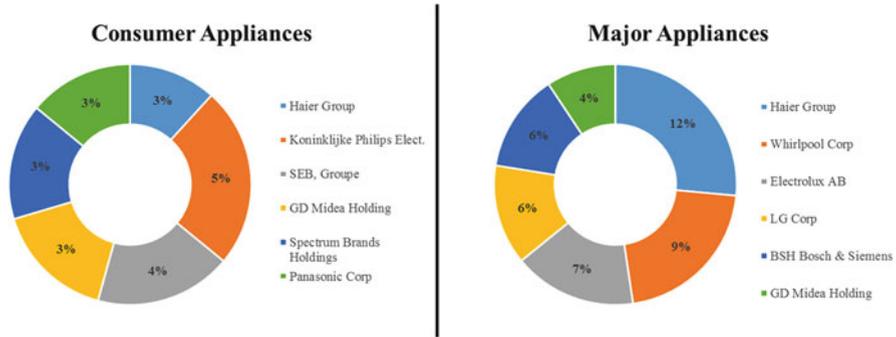


Fig. 12 Overview market share worldwide (consumer appliances and major appliances): 2013 (Euromonitor International 2014a)

4.3 Possibilities for Haier to Establish Itself in the (Northern) Netherlands

Despite the positive expectations, 2013 was another year of recession which impacted consumers' spending and thus led again to a sales decline in the major appliances market (Euromonitor International 2014b). Although, consumers are highly price sensitive, the Dutch consumer appliance market is still dominated by trusted global brands such as Philips Electronics NV, Groupe SEB, or BSH Bosch & Siemens Hausgeräte GmbH. Consumers buy these brands because of their belief in their higher reliability as well as durability. The outlook for the upcoming years is that although the Dutch economy is expected to recover, the consumer sentiment will remain weak for a while longer (Euromonitor International 2014b). Traditional high-quality brands will most likely benefit as consumers tend to purchase these in order to differentiate from the main audience (via new product designs) as well as to reduce purchasing risks. Consumers' changing need for traditional brands might hamper an attempt by Haier to establish itself in the Netherlands as it is still "stigmatized" with the "Made in China" tag, which will undermine its efforts to launch into the higher-end markets.

The Dutch consumer appliance market has stagnated since 2010 and encompassed a total sales volume of around 2200 million €. About 70 % of the total sales volume is still generated through major appliances. Although the sales volume of major appliances have been declining yearly since 2009 (except for 2013), the sales volume of small appliances has been increasing by about 8 % since 2009 (see Table 5 for an overview). This trend indicates that consumers are switching from major to small appliances which are less risky but still satisfy the Dutch consumers' need for design aesthetics. The presented switch from major to small appliances will not facilitate Haier's potential ambitions to extend its activities in the Netherlands, as its strength is the major appliance sector⁴.

⁴Haier was only placed 18th on the small appliance market worldwide in 2013 (Euromonitor International 2014a).

Table 5 Sales and YoY growth of consumer appliances by category in the Netherlands: 2009–2013 (Euromonitor International 2014b)

Markets	2009	2010	2011	2012	2013
Major Appliances (in mill. €)	1560	1540	1519	1509	1519
YoY Growth (in %)	–8	–1	–1	–1	1
Small Appliances (in mill. €)	667.2	674.5	688.3	701	719
YoY Growth (in %)	0	1	2	2	3
Consumer Appliances (in mill. €)	2228	2215	2208	2210	2238
YoY growth (in %)	–5	–1	0	0	1

Table 6 Overview of Western Europe’s Market (Market Size, YoY Change and CAGR) as well as Haier’s market share (Euromonitor International 2014a)

Country	2013 Market Size (retail volume in ‘000 units)	2013 Haier’s Share (in %)	2012–2013 YoY Change (in %)	2013–2018 CAGR (in %)
United Kingdom	77,849	–	1.3	0.8
Germany	75,731	0.4	2	–1
France	65,063	0.4	0.3	0.9
Turkey	39,025	–	6.7	6.1
Italy	31,194	0.9	–3	–0.9
Spain	23,956	0.4	–5	–0.6
Netherlands	11,121	–	0	0.7
Sweden	8870	–	–0.3	0.8
Belgium	7427	–	0.2	1.1
Austria	6603	0.2	3.9	4.3
Greece	6275	–	2.6	0
Portugal	6099	–	–8	0.6
Switzerland	6012	–	2.5	0.4
Norway	5335	–	1.7	1.1
Denmark	5296	–	1.8	1.2
Ireland	5213	–	0.3	0.7
Finland	3284	–	–1.4	0

The overall consumer appliance market in the Netherlands is the seventh biggest according to market size in Western Europe representing only 3 % of the total market potential (see Table 6). Although Haier is generally competing in all European countries, the company merely attained 0.5 % of the total market share as well as gained countable shares solely in five countries (Germany, France, Italy, Spain and Austria). The Dutch market’s growth is, compared to its neighboring countries, below the average value of 0.3 %. With a CAGR of about 0.7 % over the 2013–2018 period, the Netherlands do not represent an interesting opportunity for Haier to expand and grow. Turkey, with a market size of about 39 million units in 2013 and an expected CAGR of 6.1 % over the 2013–2018 period, seems to be a

more viable option for Haier in the future. To better gain ground on the Dutch market, Haier could access the market by acquiring a Dutch small appliances manufacturer. Similar to Sanyo for the Japanese market, this step offers the company the capacity to use an existing distribution network, production plants, and marketing expertise to grow beyond its lower price segments.

5 Conclusions

In less than 30 years, the CEO Ruimin Zhang transformed the nearly bankrupt Qingdao Refrigerator Factory into Haier, one of China's first global brands (Colvin 2011). With its roots in the consumer appliance market, Haier extended its product portfolio also to the consumer electronic market.

Haier's continuous focus on delivering high-quality products and services has ensured its domestic and global success. The company succeeded in transforming itself from an imitating manufacturer to one of the world's most innovative companies. Using knowledge from several sources (suppliers, customers, or research institutions), Haier is able to stay up-to-date with consumers' constantly changing needs. Furthermore, Haier is constantly developing and adjusting its business strategies to meet the demands of the changing market environments. Other success factors are Haier's employees and its management style. Arranging its employees into small self-managed teams with individual budgets and individual performance targets encourages open innovation as well as entrepreneurial spirit.

Against all odds, Haier refrained from major brand acquisitions to enter developed markets, such as Germany or the USA, at the beginning of its internationalization process. Instead of purchasing an existing domestic brand to enter international markets, Haier focused on positioning itself as a local brand in the different world markets by using local staff who would build up a market-specific brand. The company could already demonstrate preliminary success on the US market with its self-branded products.

In order to reduce its strong dependency on its domestic market, Haier is likely to extend its global activities in the more mature markets (North America and Western Europe) in the near future. While the Netherlands might be an interesting location to expand Haier's operations due to its central geographical position, the probability is rather small. Currently, there are five local offices across Europe (Russia, Poland, Germany, Belgium, U.K., France, Spain (2×) and Italy), as well as two R&D Centers (Germany and Italy) and one manufacturing plant in Italy. Several factors might inhibit possible investments in the Netherlands. First, due to the proximity to Belgium and Germany, Haier is not likely to open an additional office in the Netherlands. Furthermore, the growth rates as well as current sales figures for the Western European market are not promising. Regions such as Latin America, Middle East & Africa but also Eastern Europe show greater potential for future investments. Last, other countries in Europe possess greater market volume potential as well as CAGR rates (such as Turkey) which reduce the chance for a potential subsidiary of Haier in the Netherlands.

References

- Backaler, J. (2010). *Haier: A Chinese company that innovates*. Retrieved March 23, 2014, from <http://www.forbes.com/sites/china/2010/06/17/haier-a-chinese-company-that-innovates/>.
- Backaler, J. (2013). *Why do chinese companies want to go west?* Retrieved April 15, 2014, from <http://www.forbes.com/sites/joelbackaler/2013/12/11/why-do-chinese-companies-want-to-go-west/>.
- Business Insider. (2012). *China launched a massive subsidy program to get people to buy appliances*. Retrieved April 15, 2014, from <http://www.businessinsider.com/chinas-successful-appliance-subsidies-at-an-end-2012-1>.
- Colvin, G. (2011). *Zhang Ruimin: Management's next icon*. Retrieved April 23, 2014, from <http://management.fortune.cnn.com/2011/07/15/zhang-ruimin-managements-next-icon/>.
- Day, P. (2013). Smashing way to start a global business. Retrieved March 23, 2014, from <http://www.bbc.com/news/business-24622247>.
- Euromonitor International. (2012). *Haier Group in consumer appliances (world) – Global company profile*. Retrieved April 15, 2014, from <http://www.euromonitor.com>.
- Euromonitor International. (2014a). *Information about industry figures etc.* Retrieved April 15, 2014, from <http://www.euromonitor.com>.
- Euromonitor International. (2014b). *Consumer appliances in the Netherlands – Industry overview*. Retrieved April 22, 2014, from www.euromonitor.com.
- Forbes. (2013). *Asia's Fab 50 companies*. Retrieved April 15, 2014, from <http://www.forbes.com/fab50/list>.
- Haier. (2013). *Reuters: Haier's large home appliances rank no.1 worldwide for the fifth time*. Retrieved March 23, 2014, from http://www.haier.net/en/about_haier/news/201402/t20140226_207980.shtml.
- Haier. (2014). *CEO profile*. Retrieved March 23, 2014, from http://www.haier.net/en/about_haier/ceo/introduction/.
- Inside Retail Asia. (2014). *China's Haier recognized*. Retrieved March 23, 2014, from <http://www.insideretail.asia/2014/02/11/chinas-haier-recognised/>.
- Khanna, T., Palepu, K., & Andrews, P. (2011). *Haier: Taking a Chinese company global in 2011* (pp. 712–408). Harvard Business School Case.
- Liu, H., & Li, K. (2002). Strategic implications of emerging Chinese multinationals: The Haier case study. *European Management Journal*, 20(6), 699–706.
- Newsweek. (2009). *Business Jack Welch Communists*. Retrieved March 23, 2014, from <http://www.newsweek.com/business-jack-welch-communists-118987>.
- The Economist. (2013). *Haier and higher*. Retrieved March 23, 2014, from <http://www.economist.com/news/business/21587792-radical-boss-haier-wants-transform-worlds-biggest-appliance-maker-nimble>.
- Wikipedia. (2014). *Haier*. Retrieved April 25, 2014, from http://en.wikipedia.org/wiki/file:Haier_Headquarter_in_Qingdao.jpg.
- Xaingwei, W. (1997). *Haier Group buys up ailing state firms*. Retrieved March 23, 2014, from <http://www.scmp.com/article/211199/haier-group-buys-ailing-state-firms>.