

Haier in india case study

[Business](#), [Company](#)



dyCASE STUDY Case 1: Haier in India: building presence in mass market beyond China 1. Why did Haier enter India? What did it plan to achieve in this new market? At First, Haier started as a small refrigerator factory in China. Zhang Ruimin put great emphasis on product quality, so he never tolerated any faulty refrigerators. By creating products under the value of quality awareness, Haier became the world's biggest appliance seller by retail volume. In 1990s, Haier marched into global markets and used internationalization strategy.

Haier made a great effort to break the bias that "made-in-China" products are of low quality. As Haier achieved success in the US and Europe by creating high quality brand image, it widened its scope more and more. At the time of 1980s, India was not a good target market for Haier to approach because the Indian government was acting very defensive to foreign companies. However in 1991, as India experienced payment crisis, the country had to liberalize and open up the market to foreign investments. As China encouraged companies to go overseas by subsidizing by policy banks' loans, Haier decided to enter the Indian market.

China chose Indian market as a target because India had the world's second most populated economy and was experiencing rapid economic growth. The growth rate was similar to the one seen when Haier first achieved success in china. Also, Haier could expect several advantages from Indian market such as rising disposable income, an expanding middle class, and a relatively low entry barrier in the white good market. Banerjee, Haier India's president, noticed that as the company was already gaining power as a major player in

global market, appropriate strategy and direction would give Haier huge opportunities in the expanding market of India.

Banerjee made specific targets for the company - to garner 20% of India's white goods market in five years and to become one of the top three industries in seven years. Also he wanted to build an integrated manufacturing facility. The background of entry to Indian market was quite attractive. India's white goods market, where Haier wanted to penetrate and achieve in top rank, was a growing piece of pie. From the materials offered in the case, [EXHIBIT 3], the home appliance sector was growing between 11% and 14% annually and Consumer Electronics sector was growing from 11% to even 30% in 2003.

Economic growth brought increase of household income and middle-class. This is a positive situation for Haier because there would be more double-income and nuclear families which means more demand for house appliances. As Haier was already a global brand, it tried to expand its market more widely. As a result, India seemed to be suitable because its gross population was huge, and India was a developing country where more people would demand appliance as time goes by. Haier regarded India as a chance to generate disposable income for electronics purchases.

With anticipation of the high market demand, Haier had plans for new plants, new production lines, capacity expansions, and even Greenfield investments.

2. Evaluate Haier's entry strategy in India. What was and was not working? Why? Although many Chinese companies choose to first enter developing countries and then later more developed countries, Haier approached in an

opposite way. So at the time when Haier entered Indian market, the company already had experience in high-end markets in the US and Europe.

Because US and Europe market is mature market and competition is more fierce, Haier would have already known some strategies to appeal customers. Although Haier had experience and sources to attract customers, the entry strategies used in India were not all successful. Their production anticipation turned out to be too hasty. On the other hand, image setting strategy was quite successful because their global branding strategy made Indian people believe Haier as a high quality brand, not many knowing Haier as a Chinese brand.

The price strategy that Haier first adopted was a premium price strategy, which seemed to be appropriate when considering other giant brands such as LG or Samsung were adopting low pricing strategies. It could be a way to set the cost higher than major brands if entering company thinks price would not be a competitive factor in the market. One entry strategy that Haier and other company weren't successful at first was the anticipation of high market demand in 2004. As Indian market was a growing market, companies expected the demand would rise significantly.

As a result, they increased the production capacity. However, they were over-reacting to the market trend. Market demand could not catch up the production amount, so the refrigerator industry should have been overstocked. As an entry strategy, Haier adopted a global branding strategy in 2004. Before, Haier usually had an image as an export-based company, but Zhang wanted to create a name brand in the host market so that they

could create an image as a global brand. In fact, Haier wanted to hide its “Made in China” image which implicates cheap and low-quality products.

This branding exercise worked quite well, because people perceived the company as a Germany or the US brand. It seems that market positioning strategy adopted by Haier when entering the Indian market was quite tactical. Korean giants such as LG and Samsung took low pricing strategy, and Haier could have felt burdened to lower the price even lower than them. It is because if quality of Haier’s appliances turns out to be similar to those companies, and the price is similar or higher than them, not many customers would challenge to buy Haier’s.

Nonetheless, Haier was confident because they already had experiences in Europe and the US market, and was quite well known as a global brand. As a result, instead of participating in a “price war” with other giant companies, Haier took premium price strategy in India. Haier rather decided to emphasize their quality in the market, which seemed to be the strategy of fighting in a “value war” The premium price strategy could be seen as both a success factor and failure factor. Overall, Haier succeeded to implant an image of global and premium brand in the Indian market.

The perception of customers about Haier was homogeneous to what the company wanted their customers to have about them. However, image does not always make the company become successful. Haier showed quite disappointing revenue growth until 2009, which demonstrates that after all the company might not have won in the “value war”. Maybe the premium price strategy was not an option but an unavoidable plan, considering that giant brands were placed rigidly in the market already. 3. Discuss Haier’s

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localization model in India and other markets. Were they different? If so, why?

As the [EXHIBIT 1] in the given material shows, Haier adopted different strategy models through timeline. In the early stage of the company, about 1984, Haier adopted Brandbuilding Strategy. The company itself was not settled yet so it had to build a brand image and notify to customers. Then from 1990, the company started to take diversification strategy. It is also the beginning of global strategy, when Haier started to export their products to the US and Germany. From 1998, Haier selected internationalization strategy, which means not merely exporting to overseas but marching to global market worldwide.

From 2005, which was right after the company entered Indian market, the corporation took global brand strategy. Haier wanted to appeal itself as a global brand image with high quality and confidence. This flow of strategies proves that Haier incessantly worked hard to broaden its market strategically. From the stage when the company used internationalization strategy, when the company starts to actually find market abroad rather than merely exporting, Haier consistently adopted a “ Three-in-One” localization strategy. Three-in-One” localization means that Haier would position itself as a local brand, produce locally, carry out a local sales strategy and create products tailored to locals’ needs. Basically, localization means adapting the production system and product itself to the circumstances of local industry. Through “ Three-in-One” localization strategy, Haier could realize true localization which means the company could follow the local’s needs at maximum level. Haier’s localization strategy

was rather tactical than other localization strategies. When Haier began operations in India, the company did not execute rapid localization.

Instead, it took a step-by-step approach, starting from outsourcing. When sales volume grew large enough, it was right time to start acquiring local assets and doing local production on its own. Haier's approach in the US was similar to the one later chosen in India. When sales grew large enough, the company began " Three-in-One" plan. By building design centre, Haier realized true localization. The material given states that Haier also replicated this model in Europe. After all, Haier's localization method seems to be basically similar in India and other countries.

The difference of localization model in India and other countries would be more developed localization strategies adopted in India from the experiences of other countries. For example, Haier used factory in India to serve as a sourcing hub to markets in Africa, the Middle East, and Southern and Western Asia. Maybe it was the geographical advantage of India that could utilize this localization strategy. Mostly, the localization strategies were similar in various countries, starting from " Three-in-One" localization. According to the situation of each country, Haier tactically and slowly accessed to the market.

After building factories which means actual production being fully held in the specific country, Haier built centers such as showrooms in retail outlets or design centers to make customers feel close to their products. Localization model used in India might not be regarded appropriate because for six years since its launching, the overall result was not satisfactory. However, from the

point of arrival in India to the point of becoming as a brand well known in the country, the “ Three-in-One” localization skill seems to be worked effectively.