

The marketing of haier in europe



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Abstract

In today's business world filled with kinds of opportunities, competitions and challenges, marketing is playing a more and more important role.

Correspondingly, marketing strategy and marketing mix are also more and more crucial for a company to enter a certain market and to sell products, no matter it is a domestic or transnational one; meantime, they are also beneficial to take market share if used effectively. The Haier Group, with Haier Europe is a classic example that makes full use of the marketing strategy and marketing mix to achieve its marketing goals. The focus of this dissertation lay in the exploration of the marketing strategy and marketing mix of Haier Europe, of solutions to its current difficulties in launching their product portfolios there and of the implementation of its tactics in Europe.

Section One Introduction

As a professional tool used to analyze the market, understand customers, and present a product or a service to the potential benefits of customers thus persuading them to accept and buy it (Steinberg, 2005, p1), marketing is by no means common. In the right hands, it can be unlimited-powerful.

This dissertation purposed to explore the marketing strategy and marketing mix of Haier Europe. On the base of datas collected, Haier is still struggling with many difficulties in launching their product portfolios there. In addition, it has entered the crucial strategic period—' Global Branding'. How to cope with current problems and to establish its tactics in Europe? The dissertation also aims to seek appropriate solutions to this pending issue.

In terms, Haier, as a famous Chinese company incorporating in 1984 and a domestic who dare to go abroad, Haier performs remarkably in the respect of marketing. Since the 1990s, it has differentiated into related white, black and beige goods (Bell, 2008, p157). As China's ambassador to appliance stores worldwide, now Haier is the world's 2nd largest white goods manufacturer making appliances under more than 90 product categories. Today, Haier is exporting its goods and selling them in more than 160 countries and regions such as North America, Europe and the Middle East etc.. After its first entering through Germany, now Haier is well-known in Europe, including United Kingdom, Ireland, Germany, Netherlands, Belgium, France, Luxembourg, Greece, Spain, Portugal, Switzerland, Austria, Italy, Denmark, Norway, Finland and Sweden, where it obtained revenues of US $\frac{1}{4}$, 136m. In Europe, Haier target at the high-end market, and carried out its trilogy—' seeding', ' rooting' and ' harvesting' to create the localization of Haier brand (CRI online, 2004). The products Haier sells in Europe are refrigerators, freezers, top-load washing machines, home air conditioners, water heaters, microwave ovens, dishwashers, television sets, computers and cell phones (Haier Official Website, 2010). Even more important, having advanced through the ' Brand Building', ' Diversification' and ' Internationalization' stages, Haier has embarked on its fourth stage—' Global Branding'. It makes meaningful sense to study its marketing strategy.

This paper encompasses three sections with section II consisting of three sub-sections. In this paper, after some theories about marketing explained firstly, the current situation of European retail electrical equipment market will be identified, followed by a analysis about both the internal and external

environmental factors facing Haier; then it will demonstrate the marketing strategy and marketing mix of Haier Europe; finally, from the perspective of a ‘real-world business’, some rational recommendations for Haier Europe will also be made.

Section Two Literature Review

Baker et al(1998) concluded that marketing is both a concept and a practice having important implications for the adoption and implementation of market thinking, and also an approach to exchange relations which drives and informs the strategies of every organization. Here some marketing theories, including the PEST, the Porter’s Five, the SWOT, the ANSOFF and Marketing Mix should provide a sound conceptual basis.

There would be a lot of unexpected risks and challenges if it is carried out without a full understanding of the market. So firstly, comprehensive insights into the present condition, even the medium-to-long developing trends of an industry, say three to ten years ahead, is needed. To review and exploit the broader environment, it can draw support form a PEST analysis and the Five-Force Model. PEST typically refer to by its acronym, for the types of elements it involves: political, economic, sociocultural and technological, all of which are likely to have large or small effects on the organization’s ability to achieve competitive advantages at some stage over the next few years (Sargeant and Jay, 2004, p175). This framework can be useful to forecast the changes that may have environmental influences on a firm. Some examples of changes the four subenvironments will lead to are given in Figure 2. 1. However, the PEST analysis should be combined with the Five-Force Model, which analyses the structure of an industry or market segment, from the

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viewpoint of its attractiveness to a player already in the industry (Faulkner and Bowman, 1995, p37). Porter(1980) depicted the five competitive forces operating in an industry and together affecting the extent of competition or the potential profitability of that industry as follows:

â- ☒ Competitive rivalry amongst existing firms—represents the competitive behaviors, which can be done using price cuts, product design, promotional campaigns or other weapons between established companies making similar products or selling them in the same market (Hill and Jones, 2009, p46).

â- ☒ The barriers to new entrants—when bringing additional capacity, new firms must compete with those existing ones to hold a foothold or to gain a market share, especially when demand for the industry's products does not rise to match the increased capacity that entry has caused.

â- ☒ The bargaining power of buyers—they may enhance their bargaining power no matter powerful or weak (Peng, 2008, p42).

â- ☒ The bargaining power of suppliers—to raise prices or reduce the quality of their inputs (Peng, 2008, p41).

â- ☒ The threat from substitute products or services—playing the same or the similar function as an industry's products by different means, and the threat it conceal may be downstream or indirect (Porter, 2008, 17).

Political

GATT

Monopolies legislation

Environmental protection laws

Taxation policy

(Foreign) trade regulations

Employment law

Government stability

European integration.....

Economic

Business (or trade) cycle

GNP trends

Interest rates

Money supply

Inflation

Unemployment

Disposable income

Energy availability and cost.....

Socio-cultural

Population demographics

Income distribution

Social mobility

Lifestyle changes

Attitudes to work and leisure

Consumerism

Levels of education.....

Technological

Government spending on research

Government and industry focus of technological effort

New discoveries

Speed of technology transfer

Rates of obsolescence.....

Figure 2. 1 The PEST factors

Source: Faulkner, D. and Bowman, C. (1995). Competitive Strategy. Pp. 61

Another model here must be noted is the SWOT analysis, however, it has many overlapping points with the Porter's Five. SWOT is a planning exercise in which managers recognize a organization's strengths(S), weaknesses(W), opportunities(O) and threats(T) to select the corporate-, business-, functional-level strategies to best position the organization (Jones and George, 2004, p151). Strengths are skills and capabilities that enable, while weaknesses hinder an organization to conceive of or implement its

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strengths, yet both of which it has some control over; opportunities are areas that may generate higher performance, while threats increase difficulties, and both of them are beyond the organization's control (Griffin, 2007, p67-68).

Then Ansoff Matrix, a version in which strategies are often shown, is used to formulate basic product and market growth strategies,. Ansoff defines two key factors for marketing—what is being sold and what it is sold to (Stone, 2001, p50-51). What can be inferred is that a business's attempts to grow rely on whether it is marketing new or existing products in new or existing market (Fasnacht, 2009, p19). It gives a company four alternative actions when launching marketing (reference to Figure 2. 2):.

Same product, new market— Market Extension

Same product, same market— Marketing Penetration

New product, new market— Diversification

New product, same market— Product Development

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Figure 2. 2 The Ansoff Matrix: risks increase with movement away from current activities.

Source: Faulkner, D. and Bowman, C. (1995). Competitive Strategy. Pp. 80

â- ☒ Marketing Penetration is referred to selling a existing product or increasing its existing share in the existing market to facilitate further growth;

â- ☒ Market Extension is a strategy to seek to extend an existing product into a new market;

â- ☒ Product Development aims to offer new products or modifying existing products into the existing market;

â- ☒ Diversification means to enter an existing market with related or unrelated products that are totally unconnected with the market, that is to say, to enter a new market (Stone, 2001, p50-51).

Last, Marketing Mix to be worked out. It indicated all the parts which will be emphasized in an organization's promotional message, traditionally this has been defined in commercial marketing by the 4Ps Model (Products, Price, Promotion and Place) (Bush and Bell, 2002, p249). The Product is comprised of decisions about the product's design, brand name, package and the like. The Price is concerned with both base price and various discount (Pride et al, 2009, p348). The Promotion focus on plans and programmes that drive demands, interests and actions and communicate to customers or potential ones. The Place should portray the products's intended movement to the end customers and avoid any latent conflicts or confusions (Haines, 2008, p403-404). A firm can vary its marketing mix by changing one or more of elements, for example, it may use one marketing mix to reach a particular target market and different mix to reach another, anyway, the most principle is to keep a balance across and between all marketing mix elements.

Section Three Analysis and Discussion

3. 1 Haier and European Retail Electrical Equipment Market

Unlike in the US, where 'Haier America' is in charge of all functions and sells full products portfolio under one roof. In Europe, Haier had established a bunch of different sales offices: Haier Europe Trading, based in Italy, sell Haier white goods into Europe; Haier Electronic Europe is responsible for Haier audio-video and mobile phones; Haier A/C Europe trade Haier air conditioners through separate subsidiaries located in Spain, Italy and UK (Bell, 2008, p183). Undoubtedly, this makes Haier Europe's operations relatively dispersed, which scattered consumers's holistic and unified impression on it. At the same time, owing to European market's global marketing segmentation, the presence of more than 100 competitors making the appliance industry in the market is highly fragmented and highly competitive (Keegan, 2001, p191). Haier has to face the threats not only from those famous such as U. S. brands General Electric, Whirlpool and Asian Sony and Samsung etc., but also from the domestic manufacturers like Changhong and Hisense, particularly the U. S. brands. European remains the largest buyer of American-made electrical machinery and parts (Black Enterprise, 1989, 172). However, there rarely exist comparison behaviors among the European electrical equipment consumers; in the case of some German middle-class families, they just enjoy the televisions, model and style of which are both common. So their custom that do not chase fashion form the unique features of European home appliances market (Sina, 2005).

3. 1. 1 External Environment Factors of Haier in Europe

PEST analysis can help to develop a view of the external opportunities and threats(OT) facing Haier Europe (Henry, 2008, p61). Firstly, the political influence. No matter how multinational corporations is transnational, it can not really step over the country-of-origin issue. As far as Europeans are concerned, Haier Europe is still a Chinese company. With a series of overseas mergers and acquisitions, Haier is going toward to the internationalization, but it suffers interference from the host countries, who use government power to intervene in the foreign business's mergers and acquisitions to domestic enterprises, or setting a variety of political obstacles to ensure the foreign players do not obtain a dominant position or abuse their market share thus protecting domestic enterprises, political and economic security (Arup, 2002, p75). For instance, both the bank and government would intervene to protect German firms from foreign takeovers (Safarian, 1993, p326). Haier's increasingly expanded M & A make European countries shocked even panic, and they throw great difficulties in the achievement of Haier's internationalization.

Secondly, as the most direct as well as the strongest category, economic affect the costs of the operation and the purchases of potential customers (Waters, 2006, p208). With uncertainty about employment prospect, many customers postponed purchasing decisions, or cut out some types of spending. Even though Kahn, the president of the IMF once said, European economy began to pick up at the end of 2009 and its economic recession will not last too long; in 2009 the global economy is expected to grow at an average rate of 3% , and the European economy at 0. 2% (European

Economic Rebound and Industry Raise Input, 2009). The economic slump may continue for some time, which is also a not small test to Haier. However, ongoing gratifying economic globalization and liberalization created more marketing opportunities, encouraging Haier to reap the benefits of emerging markets to achieve globalization and internationalization (Kumar, 2006, p38-39), and Haier Europe has started to increase investment.

Meantime, the socio-cultural influence. Today every customer is driven by both the trends in society and the need to comply with the norms of various social groups to which they belong. With the advocacy of low-carbon economy in recent years, energy-saving and environmental-friendly have become important criterion to select home appliances. There have been more and more people, who are not necessarily ‘ deep green’ willing to allow this to influence their decision-making when buying an appliance, especially Europeans who has perceived the environmental protection as a public issue long ago and made environmental protection’s roots in varied areas (Wenk, 2005, p9-10), they look more favorably on ‘ green’ home appliances. This also urged Haier Europe to be ‘ green’ to meet their ‘ green’ demand, which become a selling point in the European market.

Last but not the least, the impact of technology to home appliance industry is tremendous. Adopting new technologies or automaton for improving productivity and cost effectiveness is regarded as opportunities (Kumar, 2006, p38-39). For Haier, to defeat those competitors, a crucial is to keep up with the pace of science and grasp the most updated technology to create the most advanced products.

3. 1. 2 Internal Environment Factors of Haier in Europe

Haier's internal strengths and weaknesses(SW) can be clarified by following the Five Force Model (Henry, 2008, p61). Haier has hard-won scale strengths (Harvard Business Review on Emerging Markets, 2008, p77), which is by no means just confined to sight and sound (Jinsheng Yi and Xian Ye, 2003, 8).

They are mainly reflected in the following aspects:

â- Brand Strength

After several decades of efforts, the reputation of Haier brand has increased significantly. In 2009, the value of Haier brand was as high as 81. 2 billion (Lead, 2009). For most European consumers, Haier is their most trusted brands, which is the strongest strength of Haier. Meanwhile, its brand tend to reduce rivalry since they emphasize differentiation, and establish at least psychological switching costs for the consumers if they are to move to a different brand (Faulkner and Bowman, 1995, p42).

â- Products Strength

Haier accounted its corporate strength in customer-tailored product and innovation speed, which will enhance its performance in future (Bell, 2008, p157). Among its various products, Haier's refrigerators and washing machines are world-class. In Europe, where quality and feature are top priorities among consumers, Haier is committed to manufacturing specific products and its tag line is ' Haier and Higher' (McNally, 2007, p90). Haier strictly pay attention to manufacturing skills, technical progress and product quality all the time.

â- ☒ Service Strength

Haier sets the benchmark of from in-store services to after-sales service. It is known that uniformed personnel of Haier offering on-site service will show up in less than 24 hours after a customer require services, with all necessary tools including a pair of socks not to dirty the ground of customers (Hexter et al, 2007, p137). It is Haier's intimate service that contribute to its success, which is also one of its core competitiveness. Haier has always adhere to the creed of ' users first' and believes that brand is created, promoted, maintained and developed by high-quality service.

â- ☒ Channel Strength

Haier was acknowledged to have the best and the most strict distribution system and sales force (Williamson, 2004, p47). Haier adopt personalized marketing according to the characteristics of different consumers. According to different channels, Haier Europe work out targeted policies and provide different support.

However, Haier also has been fully aware of its weakness from early days, which can be analyzed with the Porter's Five.

â- ☒ Competitive rivalry amongst existing firms

Porter(1980) listed the the slow growth of or declining demand will create further intensification of competitiveness. It is true that the weedy recession and economic hardships the financial crisis swept inevitably overshadow European consumers' attitudes, as well as their ability and willingness to consume. While the original competition in European home appliance

industry has already made the rivalry intense. It can not be denied that the high-end market in Europe are still occupied by those real international brands such as Whirlpool, Panasonic etc., although Haier has always targeted at the high-end market, factly it still lack the appeal, the influence and the persuasion at local. The competition Haier face is unprecedented fierce and volatile.

â- ☒ The barriers to new entrants

As counterparts learns more through technology, they are able to reduce costs, make better products, get more flexibility or expand their product range to suit different kinds of customers. So over time competition within the industry is likely to increase, as more entries are attracted to rush. They may try to outmanoeuvre the existing ones by cutting down prices or offering value-added features or quality or service, thus it also probably lower the overall level of profitability in the existing industry (Asch and Wolfe, 2001, p44).

â- ☒ The bargaining power of buyers

According to Campbell(2002), the bargaining power of buyers will be accordingly more considerable if fewer they are. Now with many Europeans's consumer confidence declining, they have been more willing to buy cost-effective products but willingness to pay extra cost for a brand greatly reduced, which weakened the market competitiveness of Haier as a brand. Moreover, even though Haier Europe's products are manufactured and sold in local market, most of their design work is still done in China, which may

also affect the Europeans' perceptions of Haier's products to a certain extent (Temporal, 2006, p89).

â- ☒ The bargaining power of suppliers

Suppliers of Haier are those who provide inputs such as capital, material, special manpower, services and so on. Now Haier still ' remain highly dependent on foreign key components and technologies, such as high-performance electronic-motors, compressors, controllers and so on' (Bell, 2008, p171). Lacking its own core technology, Haier is forced to rely on those suppliers offering technology and result in its bad situation.

â- ☒ The threat from substitute products or services

Haier is a comprehensive home appliance manufacture making a wide range of products, and energy need to be put in each category, whether it is small or huge. So compared with those who specializes in just one aspect, Haier's specialization would be unavoidably challenged. What is equally important, Crum and Goldberg(1998) suggest that the threats to a focal company may derive from not only the firms giving customers equivalent alternatives, but also those applying new technology, new materials or even new methods of running a business. Despite of increasing R&D efforts, Haier's lack of technological patent in developed markets is still serious (Bell, 2008, p171).

3. 2 Marketing Strategy of Haier in Europe

Haier's marketing strategy in Europe, known as a pivotal part of its ' internationalization' strategy, aims at positioning the company as a local brand there (Wankel, 2009, p325). In the procedure of its ' Global Brand',

Haier experienced a magnificent practice, which was also forward-looking and transformative.

Any industry has its fixed period, so does the household appliances industry. After full development of competition, the space to further grow decreased sharply and the market has fallen into a state of relative saturation. What is worse, due to currently existing homogenization among household appliances enterprises, senseless rounds of price wars overwhelmed, declining the expected profits. Now one most pressing problem facing Haier is determined by its overall strategic positioning—whether to hope the future value space of home appliances industry can slowly grow and continue to dedicate energies on it, or to further extend its industry chain to create a multi-products enterprises to avoid the natural-cycle issue of the appliance industry. This is a process that needs prudent decisions-making. Combining with the Ansoff Matrix, Haier's risks and corresponding actions are discussed.

As can be seen from the Figure 2. 2, the lowest risk option is to continue to sell the same products into the existing market, or to attempt to grow by internal development. Unsatisfactory, the household appliance industry market has been saturated and the demand of the product obsolescent or at least decline, such a strategy may not realize acceptable results for Haier Europe. Then next options to be considered are to supply a new product to the current market, or to market the present product to a new market (Faulkner and Bowman, 1995, p80). Of course, the risk to bear will also ascend to a certain extent. In general, the above three options are most common and relatively insurance for Haier Europe. Only in few exceptional contexts should the option to market an unfamiliar product to an unfamiliar

market be thought over. As the business is moving into a market which it has little even no experience in, the potential risks are excessively high. Having weighing the affordable risks and the effects of each strategy, Haier Europe draw up the following-described marketing actions:

â- to penetrate the market—as the core strategy, Haier make greater marketing efforts to increase the makret share of its existing products.

In accordance with the sequence from low to high, brand divided into the cheap brand, the economy brand, the standard brand, the high-performance brand, the high-quality brand and the luxury one (China Marketing, 2008, p96-98). When first entering Europe, Haier has declared its goal as to occupy the high-end market, meaning that it has abandoned the cheap and the economy brand. However, compared to the luxury goods, the appliance has no obvious features and group properties, so it still belong to the general category of consumer products; and lack particularity and competitive advantages. So for Haier who position its core business in the home appliance industry, the luxury market is not its target. Therefore, Haier has taken efforts to become a dominance in the standard, high-performance and high-qualtiy market, which is profitable enough. To root even to further consolidate and develop, on the one hand, Haier Europe sold more or increased share of its products; on the other hand, it vigorously push the internationalization of its product design forward in Europe. Besides, whenever it is up-swing of a business cycle or recession, Haier has always focused on its core product, around which it form the products cluster; and according to the consumption power of consumers and their demands about the function, the costs etc. to modify its products. Even though having

developed diversified products and began to regulate its industrial chain, Haier Europe's focal product is always the refrigerator. With key energy put on this item, Haier succeed to enhance the level of product quality, reduce production costs and improve technical design standards, making up its product line gap, squeezing more market share of competitors and becoming the leader in refrigerator category in European market.

â- to extend market, that is, Haier try to enter all of European potential markets for its present principal line and also extend present products or service that could extend present line in present Europeans market (Reed et al, 2007, p21).

When Haier began to launch its 'seeding' stage in Europe in the end 1990s, it attempted to extend its existing products like refrigerators into this new market. To enter new international markets, unlike other Chinese companies who usually use mergers and acquisitions as a way or corporate with local well-known enterprises to access the market and the technology, Haier followed the model to extend market by building factories or sales channels (Advantage, 2010, p45). Yet Haier Europe does not blindly built its factory or channels, only after its target market fully developed, then it would consider to construct the plants. Furthermore, Haier has always been seeking to penetrate into the high-end market in Europe, trying to find more potential emerging markets to obtain more source of profits or opportunities. Haier's water heater is such a successful example. Having get cumulative advantage in European low-end market, in 2009, Haier introduced a new water heater, which effectively integrated a number of leading technique and more concerned with the fashion and technology, marking its water heater taking

the offensive to enter the European high-end market. What paid off is that its Cheong enjoy series win the 2009 Germany industry IF Awards and has become the first China's electric water heater to receive this award among similar products (SourceJuice, 2009). Undoubtedly, this success assure Haier to get a broader developing space and broke the unfavorable situation that Chinese household appliance business can only hold European low-end market. Apart from all these, Haier's products in Europe did not copy the design of domestic ready-made ones, but are tailored in the light of the European consumers' characteristics. In 2007, Haier introduced a group of TV having various types and white shell, which was specially designed for the Europeans and in line with their sense of beauty (Sina, 2007).

As to develop product, new products have been a source of fascination and excitement of a corporation as the age of mass production has began (Clark, 1991, preface), and this is true to Haier, too.

When promoting the 'harvesting' phase, on the basis of gradual maturation of European market and finished establishment of its own local sales and R&D facilities, Haier offer new differentiated products to open up new markets. Moreover, when Haier has developed to a certain accuracy and depth in the household appliance field, its inevitable choice is to use product mix as an important tool to steady itself. It is just under this circumstance that Haier produce other home appliances such as computers and mobile phones in Europe. Unfortunately, the main source of its profit still generated from refrigerators and washing machines, but the market share of its computer and cell phone was poor for a long time. Their meager profits seriously impair Haier's competitiveness as a brand. Soon after then, Haier

has turned to products improvement, products innovation and costs reduction to rise their competitiveness.


â- to diversify, which is contented to stabilize Haier's earnings and diversified its development.

Haier has been conscious that the profit today's household appliance industry itself can get is so little that it is not sufficient to support Haier to earn extra benefits of marketing and service. So since the 1990s, Haier started to formulate a 'systematic and multi-dimensional industrial portfolio', which aims to expanding its business portfolio and avoiding the single cycle of appliance industry through reasonable combination of industry. Now Haier is mainly engaged in home appliances, concurrently involves a wide range of other industry like the information, the bio-pharmaceutical, the finance, the real estate and so on.

In short, 'the trinity of local design, local production and local sales' is the ultimate goal of Haier's internationalization strategy. In Europe, its emphasis lay in promoting differentiated high-end products of Haier and establishing its image as a local brand, then promoting the selling of its full line of products.

3. 3 Marketing Mix of Haier in Europe

Haier's marketing mix is known as the Haier Model, a model that committed to building standard international branding, which is characterized by unified and standard elements in all the marketing mix elements, in addition to all the necessary tactical adjustments (Kee, 2009, 357). To sum up, its marketing mix is distinctive.

â-  Product Ingredients—always being the most significant element in Haier Europe’s development.

Haier’s development objective is to create China’s world-famous brand. In its ‘ Global Building’ phase, Haier has always concentrated on high-end technology, attempting to open up the European market with its high-tech products. Haier’s refrigerators, washing machines, air conditioners and other products are all the forerunners to adopt the most advanced technology, having created one after another number one and uniqueness. With its high-tech products being introduced continuously, Haier does not only bring about new concept of fashion and consumption, but also lead a new trend of market consumption. What is more, the products philosophy that Haier always pursue is ‘ the goal to innovative is to create valuable orders’. So Haier Europe has always firmly grasped product innovation—the lifeline of enterprise development and established a market-oriented product innovation, that is a ‘ Ring Product Development Mechanism’, requesting product