

# Haier swot essay



**ASSIGN  
BUSTER**

1. Introduction Haier was just found in 1984. At the beginning stage of its business, it mainly produces household refrigerators as the core product. 20 years later, Haier has obtained the leadership position in the Chinese home appliance industry which consists about 21% of market share. More importantly, Haier has become a multinational company and has expanded its business to America and elsewhere Asia. According to sales, Haier was ranked fourth in the major home appliances industry in the world. What are the reasons behind which make Haier creates such an amazing performance for just 20 years?

In the followings, it is going to discuss about the comparative competition of Haier in terms of product, manufacturing, supply chain and distribution network, sales channels, warranty and service and management system. 2. Product Haier totally has two product lines. Home appliances products are its core products which include, but not limit to, wine cellars, air conditioners, laundry products. The secondary product line is the consumer electronics such as plasma television sets, DVDs, VCDs. Each of the product lines has unique features.

The wide range home appliances offered by Haier are usually in higher quality with relative lower prices while the consumer electronics have special design on its appearance and also set in low prices. Both product lines of Haier can offer low prices because most of the products are imports from Asian manufacturing factories which involve a lower labor costs. The cost leadership strategy successfully attracts the low-end market in the United States. 3. Manufacturing Haier has an outstanding design and technician team further increases the attractiveness of the Haier's product.

The team is good at modifying and adding new features to the existing products. These modified products are attractive to the middle and high-end group. Also, the time to market of new products from Haier is much shorter than its competitors. It just takes 5 months but other companies may spend about half and a year to do that. It is because Haier can respond to the specific needs of customers much quicker than the competitors. This creates a comparative advantage for Haier. In addition, some people may ask how Haier can control its manufacturing cost with so many different products.

It is because Haier use common basic platform for the same categorize of products. Then Haier may change some of the modules of components so that products with different features are produced. It results in producing wider product range with minimum manufacturing costs. 4. Supply chain and distribution Most of the products from Haier America are imported from the Asian manufacturing factories. It may involve a high shipping cost for Haier. Yet Haier has overcome this difficulty into the support of cost leadership strategy.

As it cooperates with COSCO, the largest oversea shipping company in China, it further reduces the logistics cost in shipping the products from Asia to America. Apart from building up a reliable supply chain network, the alliance with COSCO help Haier explore to more opportunities in the world. 5. Sales channels General speaking, Haier has two major distribution channels to reach its final customers. It sells the product via the internet and retail chain stores. According to the statistics in the essay, around 80% of consumers will buy home appliances and consumer electronics in the retail stores.

Haier's products have appeared in the top 10 chain stores in the world. Since Haier has a very good relationship with the major individual stores, it may obtain a lower charge for the shelf spaces, better exhibition area or vigorous in-store promotion. This may increase the brand cognition and get in touch with more customers. On the other hand, internet sale is another distribution channel of Haier. Haier have built up networks with the worldwide internet sellers, for instance, eBay and Amazon. Due to the good relationship between Haier and those internet sellers, they may charge a lower commission fee for Haier in selling products via their websites. As a consequence, Haier may offer lower prices to their online buyers so as to steal market share from the competitors.

6. Warranty and service With a view to providing a better after-sale service, warranty contacts always packs with the electric products purchased. Haier also do quite well in the after-sale service because it contract with the A & E Factory Service. A & E Factory Service is a professional service provider who covers around 90% of service in the United States.

The customers of Haier can experience excellent after-sale service from the well-trained engineers or customer service ambassador. It increases the chance attracting those one-stop buyers to become permanent customers of Haier.

7. Management system It is vital for a multinational company to have a comprehensive and effective management system to manage the businesses dispersed to different region. By mixing the Chinese culture and Western experience, Haier has created a completely new management system so call OEC (Overall Every and Clear) market chain system.

Through this system, Haier will seriously find out each problem, identify the causes of the problems and figure out a solution or contingency plan for those problems. Furthermore, Haier sets up an order processing system consists of materials, commodity and capital subsystems. The major advantage of this system is minimizing the distance with the customers. As a result, Haier can capture the special needs of the customers and add the opinions of customers during the R & D process.

It ensures the newly added feature best fit with the customers. (914 words)

Q2. 1. Introduction Striving for growth is vital to a company as it means that whether the company can survive in a vigorous business environment or not. Haier experiences the same difficulty in the United States. Since Haier has a strong determination in building solid reputation in the United States, it is going to find out a possible strategic so as to gain more market share and build strong brand recognition in the United States.

Two alternative strategic choices are (1) introducing a wide range of products into the United States Market and (2) developing new features for the consumer electronics and home appliances it currently sold as well as expand the South Carolina facility to manufacture other home appliances. Each of the alternatives will be analyzed in the followings. 2. Analyzing the first strategic alternative From the article, most of the products of Haier selling to United States market are importing from the Chinese or Asian manufacturing factories. The labor costs from these regionals are much lower than in the United States.

In other words, Haier can offer various types of products at a lower price than its competitors. However, this alternative cannot be succeed unless Haier America build a much stronger supply chain and distribution network. It is because offering wider range of products will have a higher chance of mismatching between demand and supply. A more effective and reliable distribution network reduces the opportunity of stock-out or over-stocked. And this can be achieved by building more number of distribution centers in different regionals in United States.

The distance between Haier's distribution centers and individual retailers is much shorter so that the allocation of stocks can be much more effective. The supply chain network is extremely essential to this alternative as it represents whether Haier could meet the needs of local customers at a relative low cost. It is believed that building a stronger distribution network is not a challenging task for Haier because Haier America has a very strong financial support from the Haier group. Also, Haier has established a good relationship with the local individual retailers.

More importantly, Haier has signed a strategic cooperation agreement with the COSCO in 2004. COSCO is one of the worldwide leading logistics service providers which has a strong global network resources. It further reduces the logistics costs of Haier due to the economics of scale. Combining the above factors, Haier has an extremely high chance in achieving the first strategic alterative. Notwithstanding, a problem may be imposed by this alternative as it always takes a long time to transport lots of products from Chinese or Asian manufacturing facilities even though Haier has allied with the COSCO.

Accidental delays may lead to stock-out in some products. Moreover, products imported from other regionals usually offer lower prices, these do not help Haier to build up a strong brand image to middle- and high-end market in the United States. Therefore, this alternative is more useful in competing against those Asian-based multinational firms which targets the low-end market. 3. Analyzing the second strategic alternative With a view to stealing more market shares from the middle- and high-end market, Haier must apply another strategic alternative rather than offering wide range of products with lower price.

Two elements are included in the second alternatives. The first part is adding more new features for the current products is the key factor to build brand recognition for the middle and high income group in the United States. And the second part is expanding the manufacturing factory in South Carolina in order to produce other home appliances. It is easy for Haier to accomplish both two elements. On one hand, Haier has an outstanding design team. This team is capable of adding new features to the existing products in a quick and effective manner.

On the other hand, Haier already set up a huge plant in South Carolina with 350, 000-square-foot. It means Haier has enough spaces to accommodate both existing and new product lines. Investment capital will not pose any problems as Haier America has a strong financial support from the entire group. Via this strategic alternative, the competitiveness of the Haier can be greatly induced by offering products which fits the needs of local people. Contributed by the design team, the features added can capture the trends and respond to the customers at minimum time.

Combining with the elements of the new product lines located in South Carolina, the time to market is much shorter compared with its competitors. Thus, Haier can build up a successful brand image by offering appliance with attractive features, reasonable prices and after-sale services. Yet this strategic alternative also has its own disadvantages. Firstly, it will involve a huge investment cost in expanding the factory in South Carolina for plants and machinery. Secondly, although Haier has a talent design team, it still needs to put more resources in research and development to support the team.

In short, this strategic provides some competitive advantages in stealing some of the market share from the U. S based competitors in the middle- and high-end market. 4. Recommendation Each of the option is against different kind of competitors in the United States market. The first alternative mainly focus on the Asian-based competitors such as Matsushita and LG while the second one targets at the U. S based competitors like GE, Whirlpool and Maytag. Amongst these two alternatives strategies, it is suggested the one which adding new features of existing products as well as expanding manufacturing factory in South Carolina is better.

According to the statistics from exhibition 1 in the article, it indicated that three largest market share companies in United States are all U. S based companies which accounts more than 70% of market share. In other words, they are the major competitors of Haier instead of the Asian-based ones. It is more reasonable to implement strategies against the major competitors and steal the market share from them. The brand recognition can be built up in the U. S if the strategy is successful. (987 words) Q3. 1. Introduction When



Haier first opened its American headquarters in 2002, this indicated that Haier has stepped in to the new phase of globalization. Haier would face much more vigorous competitions in the globalized market. The competitors such as Whirlpool, Electrolux and GE Consumer & Electrical are more aggressive than in the Chinese market. They may have a much stronger financial position, outstanding marketing strategy and powerful supply chain network. In the followings, SWOT analysis will be carried out to identify both external and internal strategic factors for Haier and used TOWS matrix to find out possible strategic alternatives. . Six internal strategic factors in terms of strength and weakness

**Strength 1 – Wide range of products at a lower price** The first strength of Haier is that it can offer wide range home appliances products to its customers at a lower price compared to the competitors. These products include, but not limit to, air conditioners, laundry produces, wine cellars and refrigerators. The low prices are mainly due to the importing home appliances from the manufacturing factories from Asia with lower labor costs.

**Strength 2 – Talent design and technician team** The second strength is Haier has an outstanding design and technician team. This team is good at adding new features and style designs in the existing products according to the trends of the market and responds from the customers within a short time. These products with variety of features fit the special needs of customers.

**Strength 3 – Alliance with COSCO** The third strength is contributed by the supply chain network. In 2004, Haier signed a cooperation agreement with the COSCO, China's largest oversea shipping company.

It reduces the logistics cost of Haier for delivering the home appliances from Asian manufacturing facilities to the United States. Thus, Haier can offer lower prices for its products. Also, Haier maintain a very good relationship with the individual stores can take advantage from it. Weakness 1 – Weak brand recognition The first weakness of Haier in the United States market is due to the weak brand recognition from the middle and high-end segments. These two segments compose of higher-income young people and baby boomers. It represents the largest consumption group in this market.

Yet the low price strategy from Haier cannot draw the attention from these two segments. Weakness 2 – Long shipping time The second weakness comes from side effect of the cost leadership strategy derived from home appliances imported from Asian manufacturing facilities to lower the cost, it takes a longer time to transport the appliances form Asia to United States. It results in slow respond to the market and a higher chance of stock-out for certain products. Weakness 3 – Lack of distribution centers The third weakness is not enough American distribution centers in the United States.

It means the distribution network is much far away from individual retailers and customers. And each of the distribution centers needs to support more retailer spots. It takes a long lead time to replenish the inventory. 3. Six external strategic factors in terms of opportunities and threats Opportunities 1 – Low saturation rate of some products The first opportunity is coming from the United States home appliance industry. Although this market was already mature, there is still low saturation rate for some particular product, for example, just 60% and 17% for dishwashers and compact refrigerators respectively.

And customers request new features on these products as well.

Opportunities 2 – New trends in television broadcasting The second opportunity is that United States is changing the system of transition of television broadcasting from an analog to digital platform. In order to capture the trends of television broadcasting, the demand of new big-screen sets is increasing. This creates the opportunity for Haier to establish brand recognition. Opportunities 3 –consumption behavior in the United States The third opportunity is due to the consumption behavior of the United States consumers.

Regarding to the data from the essay, 80% of the consumers are likely to buy home appliances and consumer electronics from the retail chain store. Thus, manufacturers who have better relationships with the retail stores may obtain benefits like more shelf space or better exhibition area. Threats 1 – Sensitive durable goods industry The first threat is related to the whole industry. Since home appliances and consumer electronics are classified as the durable goods industry, this industry is extremely sensitive to the business cycle.

The sale of durable good can be reduces in large extent during the economic downturn but boost very fast when the economics condition is strong.

Threats 2 – Improvement from the existing products The second threat is from the substitute products of home appliances. Interestingly, the substitutes are not the completely new product categorize but come from the improvement of the existing products. It is because customers request more new features to the home appliances. So, manufacturers may need to

put more resources in the R &D aspect. Threats 3 – Increasing material and logistics costs

The third threat is the increasing material and logistics costs. It may be due to economics, political or other factors. This situation causes the concern from most manufacturers as it hurts the long-term profit, hence, they seek ways to reduce costs and outsource some of the manufacturing procedures.

4. TOW matrixes SO strategy As around 80% consumers are likely to purchase their home appliances at the retail chain stores, Haier may utilize its good relationship with retail stores to strive for more shelf spaces, better exhibition area and more in-store promotion.

This can increase the brand awareness and recognition in the United States Market. ST strategy Many manufacturers are trying to cut cost owing to increasing in logistics cost but Haier has signed a corporation agreement with COSCO. Thus, Haier can further reduce its logistics costs due to the alliance relationship. Haier can benefit from the relationship by achieving the cost leadership in an effective way. WO strategy The home appliance industry is quite saturated yet there is still low saturation rate in the sectors of dishwashers and compact refrigerators.

Haier may expand its new production lines focusing on these two sectors to build its brand recognition to the local market instead of sectors which are highly saturated. So, Haier may increase the brand awareness of middle- and high-end market. WT strategy It is suggested that Haier can temporarily close down some of the capacity of the Asian manufacturing facilities during the economic downturn. As the sale may decrease to a large extent, the local

production in the U. S can satisfied the supply and it reduces the shipping time from Asia to America for a long lead time. It prevents overstock when the sale is bad. (991 words)