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Haier India

Internal Structure and Strategy

Haier started its operations in India in 2004 and therefore the subsidiaries of the original company were established in India. Haier has the unique slogan of *making lives simpler*. Initially there were a lot of tariff restrictions because of which global brands could not venture into the Indian market but due to high debt ratio, India had to waive off this obligation and Haier ventured into India. On the basis of this marketing strategy Haier ventured into this 2/3 Tier and spread out in many parts of India. The objective of such expansion and global strategy was to offer customers with products that would make their lives more convenient and simpler (Haier, 2013). Daily use products which mostly included electronic appliances were offered to the customers. Haier was the first company to launch BMR and Double drive technology in India. Within two years' time the company had purchased licenses for these technologies. Initially the company came out with a total of 55 products with six different product lines and now it has also ventured into mobile phones in India (Haier, 2012).

There are a total of 18 branch offices and about 4000 retail outlets of Haier in India. There are about 1600 dealers for Haier in India. There were many strategic alliances that were carried out by Haier after entering the region of India. The company joined hands with Sanyo which was a Japanese company. The company started strategic internationalization from 1986 (Yidan, 2009).

According to a news report, Haier planned to double its refrigerator sales in India in the year 2012. How the company managed to state such a huge figure and then come down to actually fulfilling this objective was the real objective (Braganza, 2011). In the year 2011 the company launched a

new series of frost refrigerators by the name of “Elegante Series”. These new range of refrigerators were aimed to produce a sales target of 650 crores. The price ranges were set in between Rs. 17,690 and Rs. 26,690. This target was achieved via a healthy distribution network that was expanded during the same time of the year. This new extensive distribution strategy promised the company huge revenues for its new product line (Braganza, 2011).

Entry Strategy

India is a huge market where companies and brands can play around. Attributing to the extremely hot weather conditions and lower income groups, Haier products had a great potential to be sold and prosper. As far as entry is concerned, Haier followed an “International strategy” while entering into India. The pressure for national responsiveness and global integration were both low. Haier has said to have followed the Uppsala model. The Uppsala model consists of four following stages of internationalization or establishments (Johnson & Turner, 2010).

1. Regular export activities are not carried out
2. Exports through agents
3. Sales subsidiaries
4. Foreign production and manufacturing

Due to limited sources firms should follow the steps mentioned in the sequential order as it is first necessary to arrange for export agents who will carry out the trade abroad effectively. The final stage of the process, which is the setup and manufacturing plant in the foreign country, should always be carried out in the end to avoid all the risks (Johnson & Turner, 2010). Haier also as a firm first established itself well into the market then it started making investments of about a 100 crores in 2012 to setup new facilities in strategically optimum locations in India. Since a localized

strategy is followed by Haier so all the advertisements designed for the company is for a specific area and culture that is followed there (Haier India, 2010).

For distribution and networking Haier focuses on a unique global expansion through franchises. The idea of franchises has gained a lot of momentum in India and the strategy behind the selection of these retail outlets is that they ought to be in highly strategic positions. Since Haier is a high priced brand for the level of quality and innovation it provides so it needs to be placed in areas where the consumers are ready to pay the prices demanded by the brand (Haier, 2013).

Miles and snow suggested four strategies to be adopted by a business in order to succeed with a successful marketing strategy. The four types of strategies are

1. Prospectors
2. Analyzers
3. Defenders
4. Reactors

Since Haier sells on innovative products and can venture into new blue markets so Haier adopts a prospectors and analyzers strategy; whereby it constantly invests into research and development. The risk is higher in being a prospector but at the same time it is quite profitable as well. At entry level Haier faced many issues not only in India but at an Asian regional level as the characteristics of the countries are pretty much the same.

First of all there the market is highly inconsistent. Although in low per capita income countries like India the labor is available in abundance and for cheaper rates but the forces of demand and supply are very unpredictable. The local market dominates the consumer mindset and perceptions

are hard to modify. A lack of coordination and management at the end of the administration and other institutions can also be noticed (Haier, 2013).

When Haier was venturing into India there were other significant players already present in the market but with the increasing population and increasing per capita income the company had a great future to establish itself in this region. In order to counter the competition existent in the market and snatch away some portion of the market share Haier adopted an aggressive strategy. It spread its network of subsidiaries throughout the region. Growth over the years for various product lines is as follows (Shanbaug, 2011).

- ✓ Deep freezers-1138%
- ✓ Commercial air conditioners- 1104%
- ✓ Refrigerators- 1104%
- ✓ Air- conditioners 132%
- ✓ Washing machines -105%

Most of the product lines have faced about a growth rate of 100% and the innovation at every level seems to jump in from the organization. Creativity and flexibility freedom are the two things that are offered to the engineers and managers so that they can create successful penetration strategies (Shanbaug, 2011).

The strength of the products and the brand value is the main thing upon which the brand sells. Haier also predicted a change in spending patterns of the Indian population where people who were always going for low cost items started shifting towards the concept of value for money. A turnover of 40% was expected by the firm and the target was achieved without any delay (Haier, 2013).

Brand Philosophy

The main philosophy behind the brand is inspired living. That inspiration for a beautiful living is created through a variety of beautifully designed tech savvy appliances. As far as expansion strategy is concerned the company has a strategy of localization where it adopts to the culture of the area it ventures into. The company has really build upon the brand to establish Haier as a global brand that is socially and ethically aware, provides top notch convenience products and is well aware of the 5 forces attacking it in the foreign market. These five forces are as mentioned in Porter's model; the threat to substitutes and new entrants, bargaining power of suppliers and buyers and rivalry in between the firms (Shanbaug, 2011).

Brand building and selling on global level is mainly carried out through the intensive segmentation carried out by the firm. There is a huge psychic difference in all global regions that Haier targets. Since the products have a differentiating factor more to focus on rather than a cost leadership so the firm works on bringing out constant innovation in its brands. The innovation process applied by Haier is incremental and is carried out after careful strategic planning (Haier, 2012).

The retailers chosen for Haier are also selected when they agree on the terms of having co-operated branding. Special showrooms are also demanded by the company in order to create the look of a shop within a shop. The whole idea is to offer that differentiating factor and highlight it. To build upon the brand and create a brand recall the company focuses on heavy advertisement. In 2010 Haier set up a budget of about 50 crores for marketing and other advertising related activities (Haier India, 2010).

Social and Ethical Activities

Haier has been selected as the “*most socially responsible*” organization in its home country China. Since Haier promises its customers to provide them with convenient living, it has a great amount of focus on customer relationship management. Haier recently placed 30 solar water heaters at the SOS village. SOS is an NGO that looks after orphan children and is one of the oldest organizations serving the society (Franchise India, 2010). These water heaters were installed in Faridabad. Haier has a future prospect of developing eco friendly products which is why keeping that strategy in mind Haier provided for the solar heaters that could keep the water warm for children in winters. Haier also mentioned that these activities would keep taking place on a regular basis as it depicts that the company is socially and ethically responsible and plans on building better greener homes for the future. These activities also tend to increase the stockholders value and attract potential investors (Franchise India, 2010).

The firm has also started investing in the production of green products and promotion of healthy eco systems. The production of the appliances is also being aligned to the environmental safety standards gradually and there is a lot of buzz about the company incorporating solar fresh technology within its appliances. Recently an event by the name of “Earth Hour” was celebrated by Haier in collaboration with WWF. The purpose of this event was to switch off all lights in homes to observe energy conservation around the world. Haier has also come up with a new refrigerating unit solution in India where women do not have to bend every now and then to put fish into the freezer, thus solving many issues such as health problems and ill people using the product (Franchise India, 2010).

Social Media

The company is pretty active on social media. If we specifically focus on Haier's role on twitter we come across the fact that it is a completely efficient way of collecting feedback and market dynamics from the customers responding to the questions posted by the company. It is a great way of exposing new emerging trends and catering to all existing ones. These strategies are mainly employed to retain the old customers in hand and also to impress and influence the new customers to buy the products. The healthy feedback provided through social media also helps the company in crafting a successful strategy for the future and global operations can be run more smoothly when the company has complete knowledge about the customers' perception. The social media forums are not only used to gather market intelligence data or to keep the customers hooked to the page but the virtual setup is also helpful in informing the customers about all new innovations that are taking place at the hub.

Recent Innovations and Product Diversifications

Haier India through its effective brand management team and all other business function launched the first smart water heaters (Haier India , 2012). These intelligent heaters have a digital temperature system that customers can adjust based on the season and weather conditions. It offers water cooling and heating both at the same time. These heaters are being produced based on the smart ecologically safe production systems to safeguard the environment. The product is aesthetically appealing and most modern homes are incorporating this space efficient water heater that has a useful life of about 7 years (Haier India , 2012).

Haier has also frequently ventured into experience centers in India and in the year 2011 has ventured into about 3 experience centers. These experience centers are special retail outlets that offer product quality and choice range to the customers on the spot. Entire ranges of a specific

category are displayed on these special centers so the customers can come and choose among the range what best suit them (Shanbaug, 2011). This was a novel idea of selling that Haier came up with to sell its premium products. The experience centers was a successful strategy and idea that was launched by Haier in order to penetrate the market (Haier, 2013).

Conclusion

Haier not only invests in high end premium products but it also has a vast line of products for the lower income and low end group of consumers. These products include their range of cooling agents all priced at a lower level. There is a difference of features and quality that makes these products inexpensive. There are some strategic alliances that have also been carried out by Haier in order to expand and diversify. The basic underground strategy of partnership in order to penetrate the new ground was to form alliances with the local companies and get through all the obstacles. Some of the local alliances that Haier carried out were namely Whirlpool India, Voltas, Pakistani R Group, Pakistan etc. The different companies with which Haier has formed strategic partnerships are namely Fedder Lloyd, Welbilt Appliances, Jemel etc. In short all the strategies that have been applied to meet the short and long term goals have been successful for Haier India (Shanbaug, 2011).

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