

Haier's Diversification Strategy

-- Gain and Loss

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Abstract

Diversification strategy is a common strategy adopted by enterprises in the process of development. Taking Haier Group as an example, this case introduces the process and layout of Haier Group's diversification strategy, which aims to provide reference for enterprises to implement diversification strategy.

Keywords

Haier, diversification strategy, related diversification, non-related diversification.

1. Introduction

8 January 2019, Qingdao Haier Co., Ltd. and the Italian Fumagalli family jointly announced, Qingdao Haier has completed the delivery of the acquisition of Candy S.p.A Company, Candy company officially became a wholly owned subsidiary of Qingdao Haier. At this point, Haier Group has owned Haier, Candy, GE Appliances, Fisher & Paykel, AQUA, Casaday, commander-in-chief seven home appliances brand. Candy company's participation has undoubtedly injected new blood into Haier Group's innovation and upgrading in the global home appliance market. Throughout the development of Haier Group, Haier has grown from a small factory on the verge of closure to a global home appliance enterprise, and has experienced the process of specialization and diversified development. In this process, what role has the diversification strategy played?

2. The Base of Haier's Diversification---Famous Brand Strategy

Haier Group's predecessor can be traced back to the early 1980s Qingdao daily electrical factory. In 1983, Qingdao Daily Electric Appliance Factory, whose products were eliminated due to quality problems, fell into a vicious circle of unsalable, converted and unsalable until a large backlog. January 1, 1984, Qingdao Daily Electric Factory officially renamed Qingdao refrigerator General Factory. In less than a year, after three consecutive factory directors were replaced, in December 1984, Zhang Ruimin, then deputy general manager of Qingdao Home Appliance Company, was ordered to come to Qingdao refrigerator General Factory as the new factory director.

Zhang Ruimin, who was ordered to take office, began to think and explore the company's way out. After market research, Zhang Ruimin found: although there are many brands in the market, but there is no real sense of "brand refrigerator", brand name is almost synonymous with foreign goods. From this Zhang Ruimin determined the company's "famous brand strategy", led the company on the road to create a famous brand. In 1985, the company introduced the advanced technology and equipment of Germany's "Liebherr" Company, and produced the Qin Island-Liebherr refrigerator. In 1988, Qindao-Libherier refrigerator won the first national gold medal in the history of Chinese refrigerators, A jump to become the first home appliances in China. 1984-1991, Haier from the introduction of the world's most advanced German refrigerator production technology, Elaborate Haier refrigerator brand, For seven years,

basically just one refrigerator, Hard is "grinding" out of a set of Haier management sword : "OEC management law"[1]. Seven years of sharpening the once endangered Qingdao refrigerator factory, and laid a solid foundation for future development.

3. Gain and Sometimes Loss---Haier's Diversification Strategy

3.1. Wind-borne Water---Haier's Related Diversification

After seven years of brand creation, Haier refrigerator has become a household name brand. At this time, the trend of economic globalization is unstoppable. More and more foreign home appliance manufacturers put the battlefield of product competition into the Chinese market. This is undoubtedly a huge challenge for the emerging Chinese national appliance enterprises. Zhang Ruimin and his team believe that in the market competition only famous brand and no scale, famous brand can not be maintained and developed. After Haier creates famous brand, must take the road of scale economy. Therefore, in the face of competition and challenges, Haier decided to set up a "joint fleet" to implement a diversified strategy. First of all, Haier began to diversify the development.

In 1991, Haier began the relevant diversification. In the related diversification strategy, Haier mainly adopts the merger and reorganization way, revolves around the household appliance business. In just a few years, Haier acquired more than a dozen companies, invigorating assets of 1.5 billion yuan, quickly expanding the size of the company. Haier related diversification mainly involves the business of electric freezer, air conditioning, washing machine, microwave oven, water heater and so on.

3.1.1. Electric Freezer and Air Conditioning Operations

By December 1991, with the strong support of the government, Qingdao Refrigerator General Factory merged Qingdao Electric Ice Cabinet General Factory and Qingdao Air Conditioner General Factory, and then renamed Qingdao Haier Freezer Corporation and Qingdao Haier Air Conditioner Corporation respectively. And set up Haier Group Company, Haier realized the initial desire to set up a joint fleet [2]. In only one year, the two factories set a record, product quality, economic benefits and workers' quality have all risen to a new level. The two factories passed ISO 9001 international certification in 1994, making Haier Group the only three leading products in China (refrigerator, electric freezer, air conditioning) have passed ISO 9001 international certification of home appliances enterprises. At the end of 1995, Haier refrigerator, Haier air conditioner and Haier refrigerator were awarded the Golden Bridge Award in the National Best-selling Golden Bridge Award.

3.1.2. Washing Machine Operations

July 4, 1995, the Qingdao municipal government decided that Qingdao Hongxing Electric Co., Ltd. as a whole under the Haier Group [2]. At this time, the total assets of Red Star Electric Co., Ltd. is 400 million yuan, and the total liabilities are more than 500 million, insolvent 133 million, debt ratio as high as 140%. In the face of such a "hot potato" Zhang Ruimin resolutely took over. Of course, he knew that the success or failure of the merger was crucial to Haier. Successful, Haier's joint fleet will add a strong fighting main ship. Failure, the Haier United Fleet on a heavy burden. Zhang Ruimin is certainly prepared to face the difficulties. At the beginning of the decision of the Qingdao municipal government to belong to the Red Star, Zhang Ruimin determined a clear idea: the reason for the failure of the Red Star is not technology or capital, but the management is not in place and the cohesion of the staff and workers is poor. It is like a "shock fish", the body of the fish is not rotten, just in a state of shock. The biggest success of Haier's development in more than a decade is to establish a set of unique management ideas, form the values of employee identity, and form Haier culture. Therefore, Haier people have the confidence to use Haier culture to activate shock fish, let it radiate vitality.

After Haier took over Red Star Electric, To transform it into Haier washing machine company, On the basis of a complete set of management models, With human management as the top priority, Haier's "famous brand strategy ", " the user is always right ", " sincere to forever ", " to serve the market ", " selling reputation is not selling products ", " high standards, performance, zero defects" and a series of business concepts into the body and mind of employees, To unify the minds of employees, Forging the will of employees, Recast the soul of an enterprise. These ideas, like an invisible hand, bring together the almost broken workforce, And promoted to an orderly, self-disciplined, fast operating state, Make it radiate strong vitality :3 months turn round deficit; The fifth month profit 1.5 million yuan; ISO 9001 international quality system certification once in the second year; Won the Chinese washing machine "top ten brands ", consumer shopping first choice brand, open-box qualified rate of 8 first; By the end of 1996, the market share in the country's 100 major shopping malls has risen to 22. International market share is far ahead of other domestic brands, The number of fully automatic washing machines exported to Japan accounts for 95% of the total export volume, It accounts for 61% of Japan's total imports. Activated after the "Red Star" really became Haier Group another main ship.

3.1.3. Color TV Service

September 1997, Haier Group and Hangzhou West Lake Electronic Group jointly set up Hangzhou Haier Electric Appliance, Production and sale of color TV, This marks Haier's official entry into the field of black appliances. May 1998, According to the National Bureau of Statistics, Haier color TV market share leapt to the fourth place in the country. In Beijing, Haier color TV with 21.4% of the market share to the top. July 1998, Haier launched China's first all-media all-digital color TV "pioneer ", Appraised by experts from the Academy of Sciences, Technical level international advanced. February 2001, Haier color TV was granted exemption from product inspection by China Quality and Technology Appraisal Bureau, China is the first batch of exemption from the qualification of color TV.

3.2. Success or Failure---Haier's Non-related Diversification

3.2.1. Pharmaceutical Industry

With the success of related diversification and the continuous growth of enterprises, Haier has entered the stage of non-related diversification, one after another into medicine, catering, finance and other fields. Haier Pharmaceutical Company, a large pharmaceutical company built by Haier Group for more than 90 million yuan, was established in November 1996, which marked Haier's formal entry into the of the medical and health products industry [3] .In medical production, scientific research have invested a huge amount of money, launched a health product called "mining ", Haier pharmaceutical sales quickly exceeded 100 million yuan. However, after a short year of glory, the market was weak and rapidly declining. After investing a lot of money, after nearly 10 years of operation, Haier's other pharmaceutical products also did not achieve sustained and good development. Finally had to withdraw from the industry.

3.2.2. Catering Industry

With the continuous growth of Haier Group, Haier needs more knowledge-based, young staff, only personnel adjustment, Haier can produce "Haier speed ". In this way, Haier's old workers are bound to face laid-off problems. Haier, which is actively carrying out non-related diversification strategy, has decided to enter the catering industry in 1997 and set up a "Haier sister-in-law" catering brand, one is to solve the problem of laid-off employees of the company. The second is as a company diversification strategy another attempt. Haier sister-in-law restaurant in 1997 in Qingdao layout, before and after the opening of more than 40 stores in Qingdao. In the short term, Haier brand appeal makes Haier sister-in-law restaurant with its own heat. The household appliance brand Haier unexpectedly does the dining, more consumers walk into the restaurant with curiosity. In fact, Haier sister-in-law restaurant is only a copy of

Haier's internal canteen management. When consumers satisfied their curiosity, Haier sister-in-law restaurant lost the heat, gradually no one interested, one after another closed stores, Haier sister-in-law restaurant so ephemeral.

3.2.3. Computer Field

Under the trend of 3 C integration, domestic appliance manufacturers set foot in IT industry in 1998. Haier also began to enter the PC field as a home appliance manufacturer. Haier Group in order to operate Haier computer, under the computer Division set up Haier 3 C chain Co., Ltd. and Software Co., [3]. For four years before 2002, Haier computers from 50,000 in 1999, Rapid rise to 200,000 units in 2000. This result made Haier computer director Ma Guojun very excited, He set himself a sales target of 500,000 units by 2001. However, Not long, At the end of 2001, Haier computer came out of the channel of the news. Immediately after 2002, With the departure of Ma Guojun, Haier computer offices have been closed. Haier computer division from the original more than 400 people to more than 30 people, More than 90 million yuan of the overall loss forced it to order production. In 2003, Haier and Taiwan Baocheng Group jointly set up Baocheng Company in Shanghai, although Haier computer has been promoted, but because of the lack of clear development ideas, it quickly fell into the quagmire of price war. Haier's notebook and desktop sales totaled about 900,000 in 2006, less than a fifth of Lenovo's sales in the fourth quarter of 2006.

3.2.4. Financial Sector

In the late 1990s, with the further deepening of China's financial system reform and the improvement of market-oriented mechanism, the supply of household appliances industry exceeded demand. Major home appliance giants to further occupy the market, price war. Under this background, Haier Group draws lessons from the combination mode of production and finance of General Electric, and regards entering the financial industry as one of the strategic directions to break the deadlock. Haier set up Haier investment in 2000. Thereafter, Haier Group in the name of Haier investment into the financial sector. July 2001, Haier through decentralized equity arrangements to achieve the holding of Qingdao Commercial Bank; September 2001, Share in Changjiang Securities during the depression of the securities industry and become its largest shareholder; December 2001, Set up Haier insurance agency; September 2002, Capital injection of 500 million yuan to set up a group finance company; December 2002, New York Life and the United States eventually set up a joint venture life insurance company. For more than a year, Having obtained almost all financial licences for trusts, insurance, securities, banks, And in 2007 officially established Haier Financial Group.

For Haier Group, which started home appliances, Haier's development in the financial field is not smooth sailing. Taking Anshan Trust as an example, Haier withdrew its investment and returned 20% of its shares to Anshan Finance Bureau after less than a year of investment. Changjiang Securities and Qingdao Commercial Bank did not improve their business. With the deepening of China's financial reform and the deepening of the pace of globalization, between 2010 and 2012, Haier Group and a number of domestic and foreign companies reached strategic cooperation, such as Hewlett-Packard, Sanyo Motor Co., Ltd., Nanning Department Store and so on. At the same time, Haier insurance industry began to work. In 2011, Haier Insurance, which cross-sells through Haier Group's sales network, made a profit in the first half of the year and was officially approved as Peking University Fangzheng Life in 2012. With the rise of Internet finance, Haier Financial Group's combination of production and finance began to change in this direction. Haier's P2P platform Hailong Yi was established in April 2014. Hailong Yi mainly relies on the upstream and downstream supply and marketing system accumulated by Haier in the past 30 years, as well as a large number of users, brands and other resources. Suppliers and dealers in Haier system provide financing services. Haier Consumer Finance Co., Ltd. was established in December 2014, mainly adopting a O2O model to establish

various scenarios with household consumption as the core to provide financial services. After more than ten years of exploration and development, Haier in the financial field layout gradually showed results.

4. Conclusion

Looking back on Haier Group's diversification strategy, it can be said when brilliant, when overshadowed. After seven years of specialized operation, Haier has established a good brand image and core competitiveness in the industry. Intangible brand resources are the remaining excellent distribution resources available to Haier. Through the establishment of Haier refrigerator brand, Haier set up a brand image of household appliances. Through diversified management, Haier extends this brand image to electric freezer, air conditioning and other household appliances business, which improves the utilization rate of Haier brand value. At the same time, Haier implements the diversification strategy to give full play to the coordination effect, and not only saves the cost, but also drives the development of the related business by transferring the accumulated production technology, marketing channels and management concepts of the household appliances industry to the related household appliances business. But when the new business span is too large, the new and old business can not establish the connection, can not share the resources, the synergy effect can not play a role. New business cannot build core competitiveness, will be at a disadvantage in the market, or even forced to withdraw. Diversification strategy is like a "double-edged sword". Only when enterprises seek advantages and avoid disadvantages can they be used and help enterprises achieve better development.

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