

mini-case 1-429-065
March 29, 2010

Going Global (F): Haier Appliances

Haier is a good company and somebody we've got to pay a lot of attention to.

David Swift, Executive VP, Whirlpool North America

In 2009, Haier, one of China's largest appliance manufacturers, produced over 96 categories of consumer goods, including refrigerators, air conditioners, washing machines and microwave ovens. The company was recognized as China's most respected company by Financial Times and the Far Eastern Economic Review. The company had revenues of \$17 billion in 2008,¹ with international sales of \$4.5 billion. Haier dominated China's home appliances sector; in 2008, Haier benefitted from the government subsidization of home appliances for rural households, selling over 1.2 million units of home appliances domestically.² The company had passed Whirlpool to become the world's largest fridge-maker in terms of sales³.

China's accession to the WTO in 2001 opened the domestic market to international competition and led to plunging returns in Haier's domestic white goods business. Increased domestic competition, coupled with political pressures (China's political elite believed that the emergence of Chinese multinationals was important for national pride), combined to drive Haier into global markets. Haier established a manufacturing facility in a small South Carolina town in 2000. The aim was to respond more quickly to U.S. retailers, make Haier a household name in the U.S., and save on shipping costs. Haier exported to 160 countries and was the global market share leader with a 6.3% share.

Haier traditionally competed based on its low price strategy. For example, the company introduced a refrigerator without an agitator for larger loads and gentler washing, which was 40% cheaper than a similar Whirlpool model.⁴ The company claimed 50% of the U.S. wine chiller and mini-fridge market. U.S. sales totaled \$750 million in 2005.⁵

Haier also moved to reward creativity among its employees by granting engineers wide autonomy. Some analysts, however, suggested that this has led to over-engineering and over-diversification. For example, Haier produced a washing machine that was also designed to clean sweet potatoes. In addition to offering such obscure product features in its core product line, Haier had entered the computer, cell phone, interior design, and pharmaceutical markets.



Published by GloboLens, a division of the William Davidson Institute at the University of Michigan.

© 2010 William Davidson Institute. This mini-case was written by Research Manager Kelly Janiga and Professor Robert E. Kennedy, the Tom Lantos Professor of Business Administration at the University of Michigan.