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**FINAL THESIS REPORT**

**A Marketing Analysis of Household Appliances Market in Finland**  
**A Case Study for the Haier Group**

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#### ABSTRACT

A company which wants to enter into a new market must first understand the target market's business environment and how to create and retain customers by providing better value than the competition. As the environment changes, businesses must adapt in order to maintain strategic fit between their capabilities and the marketplace. The process by which businesses analyze the environment and their capabilities and decide upon courses of marketing action is called marketing analysis. A marketing analysis can help the company to make decisions based on the marketing information they have.

The aim of this thesis is to form a marketing analysis for Haier Group on the basis of an analysis of its external and internal business environment. This involved evaluating the company's different marketing activities. The business environment of Finland – Haier's target market – has also been analysed and evaluated in order to find out whether Finland could be a potential country for investment and market entry. Finally, Haier's objectives have been defined.

The research methods used were based on the theoretical knowledge from text books and literatures combined with different study models as well as market research methods, although the main source of information is the book Principles and Practice of Marketing by David Jobber. Information was acquired by interviewing representatives of the potential target group and people from other relevant organizations. The research was done by conducting an open question survey and interviews about the buying behaviour of potential customers, the information which was received about the market demands were collected and analysed.

The results of the interviews about the target market and the research analysis were combined to display the current competitive environment and the high requirements of customers. The future perspectives were evaluated based on the whole analysis. The final decisions regarding possible market expansion should be made by the management of the company and no specific information about the action plan is mentioned

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**Key words:** Marketing environment, Competition analysis, Foreign Investment, Household appliances market



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# 1. INTRODUCTION

## 1.1 Background of the study

As a consequence of the globalization of business, world trade has grown faster than world output. Foreign direct investment has surged, imports have penetrated more deeply into the world of industrial nations and competitive pressure has increased from one industry after another. To retaliate to this global pressure firms started expanding to foreign countries (Ekeledo, 1998, Barlet & Ghoshal 1987, O'Donnell 2000).

China's economic growth has increased rapidly over the last twenty years. In the globalization section, China has become a major trading nation since China's efforts in opening up to the outside world in 1979.

When foreign enterprises are coming and expanding their business in Chinese market, the local enterprises are threaten by the international competitors' investments. Along with Chinese economical and scientific technologies increasing, many Chinese enterprises in different industries have set up their solid investments into the foreign markets.

Since China's WTO entry, the Chinese household electrical appliances industry, as well as other industries, is facing the reality of a globalizing world economy and multi-global challenges, such as the environmental challenge, the competitive challenge, the collaborative challenge, the organizational challenge, the worldwide learning challenge and the management challenge (Bartlett & Ghoshal, 2000)

This thesis is a marketing analysis of the Finnish household appliances market for Haier Group – a Chinese household appliances manufacturer. Since Haier has set up the European headquarter in Italy 1996, the company has opened the western European market successfully. For the next period of its business plan, the company is going to expand its market in Northern European Countries. This aim of this thesis is to provide a realistic framework for Haier Group which considers investing in Finland.

## 1.2 Purpose of the study

The manager of Haier wished that the thesis would especially concentrate on the marketing analysis of the competitive environment. Moreover, a more proper study of that would be in order which the thesis included the general marketing plan's some important aspects.

For this time, Haier would try to promote one of their products to be the first sample: Haier washing machine.

In this report, it included the internal and the external environment analysis to evaluate Haier group's different marketing activities and the Finnish business environment to define the company's mission, and future plans in Finnish market, and also by using various study models and research methods to analysis the current Finnish household appliances market situation and possible marketing

strategies.

The methods of research and information collection were based on desk research (collected by internet, book resources) and field research (personal interview, telephone interview, questionnaire etc.). The marketing strategy suggestions and the final conclusions were given to Haier for helping its future Finland marketing decision making plan.

The first part of the thesis was the theoretical framework for the marketing analysis. Each of steps of strategic planning of marketing was explained. The next part of the thesis continued with the practical marketing analysis for Haier Group. The final conclusions were the third part and the biography and appendices were following in Chapter four.

### **1.3 Research problems**

To fulfill the objective of this study, the research was done by answering the main question: is Finland a potential country for investment for Haier Group? The research should consequently make the company be able to reach a conclusion on:

- How is the electrical household appliances market situation in Finland at present? Such as market demand, market size, consumers buying behavior etc.
- How is Haier's competence in the Finnish market?
- Does Haier have any potential market in Finland?
- How is the competitive situation in this market?
- How will the company meet the customer needs with better products than their competitors?
- If the company is going to enter into the market, what kind of the marketing entry mode should be used? And what kind of distribution channels can be considered for Haier in Finland?

### **1.4 Research methodology**

In this report, the research was implemented by using both qualitative and quantitative research methods and using theoretical ideas to analyze the practical case study.

The theoretical part contains information gathered from literature and text books dealing with marketing planning, marketing environment and market research. In addition, the case studies research is from the existing company information to the analysis of macro and micro environment of the target market to evaluate the company's strengths, weakness, opportunities and threats.

Besides, the case study includes a series of surveys and personal interviews that a lot of participant observation where the potential users in the target market knew the goal of my research. The open questionnaire included various types of questions such as simple yes & no answers, multiple choice and sliding scale which were designed for the potential users by answering on internet and paper handing out. The personal interviews were deducted at public places and companies visits for the potential target group and staff from other relevant organizations.

The market research included primary and secondary data. The primary data was collected with qualitative methods by interviewing the potential users and retailers, especially the competitor's information from retailers and other organizations. The quantitative research was conducted by survey research for understanding the customer buying behaviors regarding the Finnish household appliances.

All interviews and customer survey were conducted by in English. The secondary data sources were from books, product brochures and internet with some relevant documents from Haier Group, China.

### **1.5 Limitations of the research**

A marketing analysis and the marketing research of a country is a big project by using more personnel and resources to get information in details. Also the time consuming with personnel cost probably is a big investment. For this report, although my capabilities are limited on searching all over the country, the results and collected data of the main Finnish cities by the references of books and survey implementation are still validity for the company.

There are also limitations in the surveys regarding the quality of the questionnaire. Some considerations such as whether the respondents understand the questions completely, whether the feedbacks of the respondents were correct and from their "real" point of view can be reserved. However, we know that most of responses can be effective because reliable and honest is a part of Finnish culture.

Furthermore, another limitation is that all data and information could be changed by years and economical circumstances.

### **1.6 Reliability and validity of the study**

It is not easy to define the reliability and validity in the qualitative research, because the qualitative research is hard to replace the same research methods to get the same results. In the case of this report, the personal interviews by using qualitative research method could not be repeated until the records of interviews provided. For this time, although some useful conversation was written down in a paper during the interview time by me, it was lack of the interviewers' original sound records.

However, the survey research can be repeated by the similar ways. The questionnaires were conducted by sending emails and papers to various potential consumers. The answers were collected randomly after respondents finished the questionnaires. And each of respondents answered individually without any pressures. All the results can present a social phenomenon and the respondent's point of view in a certain period which cannot be changed quickly. Therefore, the results of the market research are generally reliable and valid in this report.

## 2 UNDERSTANDING THE MARKETING ANALYSIS PROCESS

### 2.1 Overall

A company which wants to enter into a new market must understand the target market business environment such as the target market technology, competitors' information and how to create and retain customers by providing better value than the competition.

As the environment changes, businesses must adapt in order to maintain strategic fit between their capabilities and the marketplace. The process by which businesses analyze the environment and their capabilities, decide upon courses of marketing action and implement those decisions is called marketing planning.

Marketing planning is part of a broader concept known as strategic planning, which involves not only marketing, but also the fit between production, finance and personnel strategies and the environment. The aim of strategic planning is to shape and reshape a company so that its business and products continue to meet corporate objectives. Because marketing management is charged with the responsibility of managing the interface between the company and its environment, it has a key role to play in strategic planning. (David Jobber 2004: 36)

To do a marketing planning, the company needs to know the market's needs and how it is currently serviced provides the company with key information that is essential in developing the company's products/ service and marketing plan. A marketing analysis can help the company to make decisions based on the marketing information they have.

Conducting a marketing analysis can be used in:

1. Prepare to enter a new market
2. Launch a new product/service
3. Start a new business

Obviously, this case belongs to the first condition. A marketing analysis is the actual assessment of the target population, competition and needs for marketing that product or service (W.D. Bygrave, 1994).

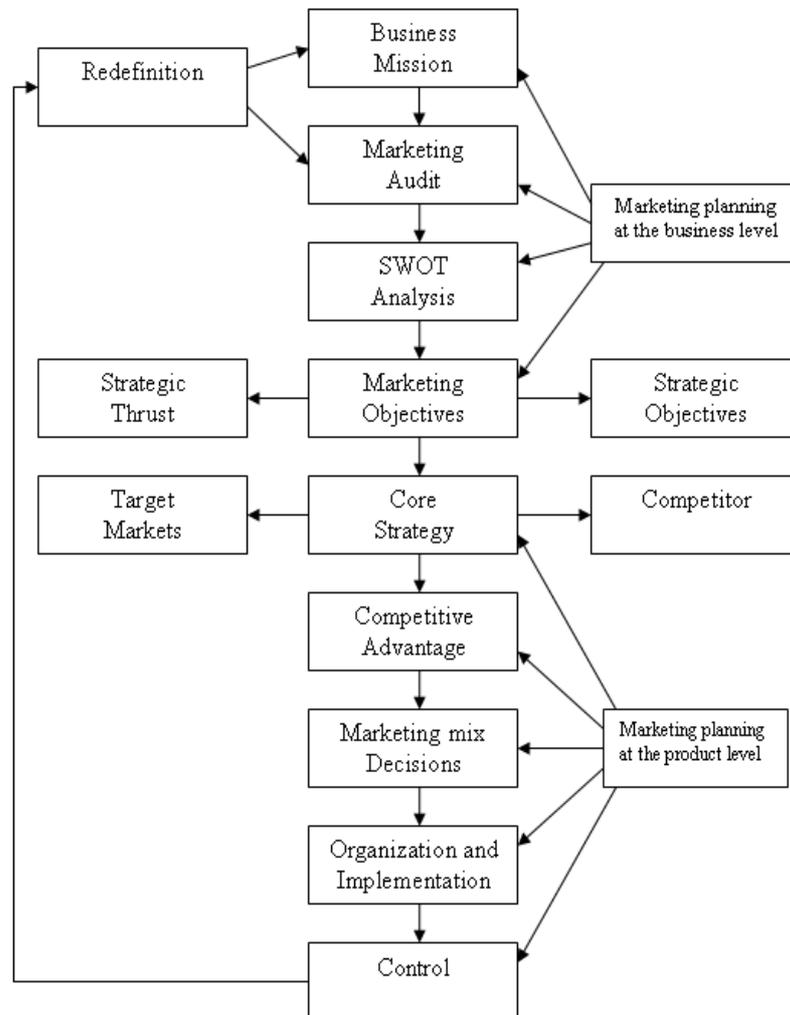
The market analysis can help the company to find out the solutions and answers of these questions as follows:

- What specific companies are servicing this market?
- Is the market saturated or wide open? If so, why?
- What is the size of the market?
- How do my competitors reach the market?
- What do customers expect from this type of product or service?
- What core competencies must the product or service have?
- What is my competitive advantage?

And these questions should be figured out after the market analysis finished. As this thesis focused on the market analysis to determine if there is a market for the company

and evaluate the company's target market's environment. The figure 1 shows the marketing planning process when deduct the market analysis.

*Figure 1: The marketing planning process (David Jobber 2004: 38)*



However, the figure of the planning process provides a systematic framework for understanding the analysis and decision-making processes involved in marketing planning and a framework for understanding how the key elements of marketing.

Defined the business mission should be the first step due to some influences: the first influence on business mission can define the scope and activities of the company to answer the questions such as “What business do we want to be in?” and “What do we want to do for this business?” etc.

The second influence on business mission is environmental change. Change provides opportunities and threats that influence mission definition. The final determinants of business mission are the background of the company and the personalities of its senior management. This last factor emphasizes the judgmental nature of business definition. There is no right or wrong business mission in abstract. The mission should be based on the vision that top management and its subordinates have of the future of the business. This vision is a coherent and

powerful statement of what the business should aim to become. (Jobber 2004: 40)

The marketing planning is a highly detailed, heavily researched written report that many inside and possibly outside the organization will evaluate. The marketing planning is needed for a specialized strategy to introduce something new, such as a new product planning, entering new markets, or trying a new strategy to fix an existing problem.

## **2.2 Marketing audit**

The marketing audit is a systematic examination of a business's marketing environment, objectives, strategies and activities, with a view to identifying key strategic issues, problem areas and opportunities. The marketing audit is therefore the basis upon which a plan of action to improve marketing performance can be built. (Jobber 2004: 41)

To do the marketing audit, the analysis needs to divide into two parts: internal and external environment of a business. The internal environmental analysis focuses on those areas that are under the control of marketing management but the external environment analysis is concerned with those forces over which management has no control.

### **2.2.1 Internal analysis**

The internal analysis focuses on the company's background, objective, financial issues, value chain and other competitive advantages in order to find out the company's internal strength and weakness to give the company certain advantages and disadvantages in meeting the needs of its target market. Any analysis of company strengths should be market oriented or customer oriented focused, because strength are only meaningful when they assist the company in meeting customer needs. Weakness should also be examined from a customer perspective because customers often perceive weaknesses that a company cannot see. (Marketing and its environment, pg 44)

The following area analyses are used to look at all internal factors affecting a company:

- Resources: Profitability, sales, product quality brand associations, existing overall brand, relative cost of this new product, employee capability, product portfolio analysis
- Capabilities

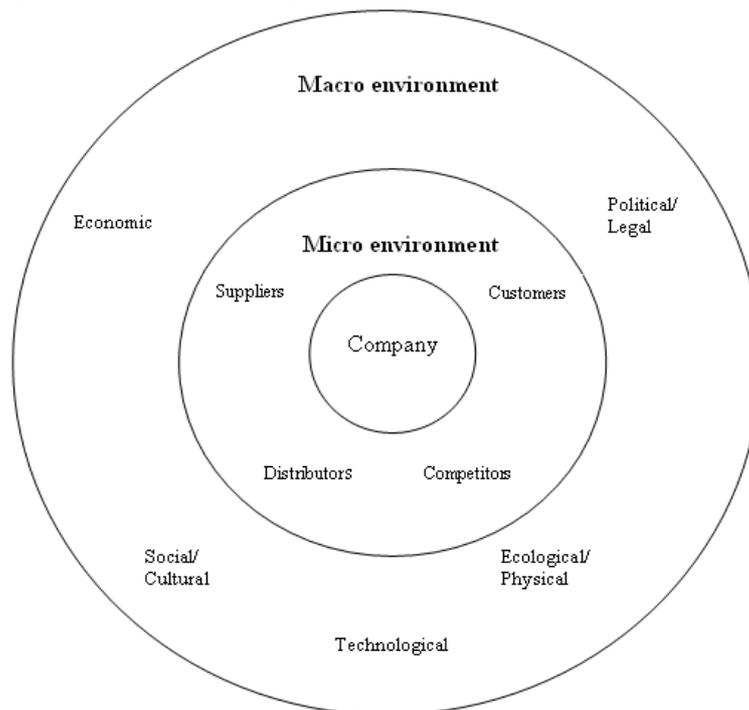
Goal: To identify internal strategic strengths, weaknesses, problems, constraints and uncertainties

### 2.2.2 External analysis

The external analysis examines opportunities and threats that exist in the environment. Both opportunities and threats exist independently of the company. Opportunities refer to favorable conditions in the environment that could produce rewards for the organization if acted upon properly. Threats refer to conditions or barriers that may prevent the companies from reaching its objectives (Erica Olsen, 2005).

In the external analysis, the marketing environment analysis divides the micro-environment and macro-environment analysis (See figure 2). The microenvironment which consists of the actors in the firm's immediate environment that affects its capabilities to operate effectively in its chosen markets. They key actors are suppliers, distributors, customers and competitors. The macro-environment consists of a number of broader forces that affect not only the company but also the other actors in the microenvironment (Jobber 2004: 132). These can be grouped under economic, social/cultural, political/legal, ecological/physical and technological forces. These shape the character of the opportunities and threats facing a company, and yet are largely uncontrollable.

*Figure 2: The marketing environment (Jobber 2004: 133)*



### 2.2.3 The Macro-environment

#### *Political environment*

Political factors can influence marketing decisions by determining the rules by which business can be conducted. The relationship between government and business organizations can have major implications not only for the respective parties, but also other companies (Jobber 2004: 146)

Furthermore, for the foreign company entering into a new market, the laws, rules and regulations need to be understood before the entry, because Businesses today need to follow both official regulations and also regulations pressed by special-interest groups. However, in some cases, companies can even benefit from the newly established laws (Kotler 2000: 151). A product related to public safety, such as bicycle helmet, can be made mandatory for all citizens in which case the manufacturer of this product naturally benefits.

### ***Economical environment***

The economic environment can have a critical impact on the success of companies through its effect on supply and demand. Companies must choose those economic influences that are relevant to their business and monitor them. Three major economic influences should be examined on the marketing environment of companies: economic growth and unemployment, the development and implications of the single European market, and the economic changes that are accompanying the transition to market economies of eastern bloc countries (Jobber 2004: 132).

The analysis of economical environment can let companies know the financial situation of the target country in order to forecast the potential market demand, the buying power and the foreign investment situation in the target market.

### ***Social and cultural environment***

The population in developed economies is expected to be stable or shrinking. A major demographic change that will continue to affect the demand for products and services is the rising proportion of people over the age of 45 in the EU, and the decline in the younger age group. Moreover, within Europe, cultural differences have implications for the way in which business is conducted which need to be recognized when interacting with European customers (Jobber 2004: 138, 141).

Furthermore, understanding of the social and cultural factors is also the way to know the customer needs for companies. If companies know more the consumers life standard and their characteristics, it is more convenient to make decisions on the customizing products.

### ***Technological environment***

Technology can have a substantial impact on people's lives and companies' fortunes. Monitoring the technological environment may result in the spotting of opportunities and major investments in new areas (Jobber 2004: 152). The key to successful technological investment is market potential and technological change can also pose threats to those companies that gradually find they cannot compete effectively with their more advanced rivals.

## 2.2.4 The Micro-environment

### *Understanding consumer buying behavior*

Understanding consumer behavior is important because European consumers are changing. While average incomes rise, income distribution is more uneven in most nations, household size is gradually decreasing in all EU nations, more women have jobs outside the home, the consumption of services is rising at the expense of consumer durables and demand for (and supply of) health, green (ecological), fun/luxury and convenience products is increasing.

**Table 3:** Choice criteria used when evaluating alternatives (Jobber 2004: 75)

Type of criteria	Examples	Type of criteria	Examples
Technical	Reliability	Social	Status
	Durability		Social belonging
	Performance		Convention
	Style/looks	Personal	Fashion
	Comfort		Self-image
Economic	Delivery		Risk reduction
	Convenience		Ethics
	Taste		Emotions
	Price		
	Value for money		
	Running costs		
	Residual value		
Life-cycle costs			

For example, sell to consumers for personal consumption and organizations for use in carrying out their activities. For both types of buyer, an understanding of customers can be gained only by answering the following questions:

1. Who is important in the buying decision?
2. How do they buy?
3. What are their choice criteria?
4. Where do they buy?
5. When do they buy?

Answer to these questions can be provided by personal contact with customers and, increasingly, by the use of marketing research. (Jobber 2004: 66)

### *Understanding the organizational buying behavior*

Organizational buying concerns the purchase of products and services for use in

an organization's activities. There are three types of organizational market.

1. industrial market – e.g. raw materials, components and capital goods such as machinery
2. reseller market – e.g. mail-order companies, retailers and supermarkets
3. government market – e.g. government agencies buy products and services to help them carry out their activities, e.g. purchases for local authorities and defense

As in this thesis, the case belongs to the second one which the company has to know the retailers' buying behaviors.

### *Understanding the market segmentation*

Very few products or services can satisfy all customers in a market. The company needs to find out their target group who needs their products and services. Therefore to implement the marketing concept and successfully satisfy customer needs. Different product and service offerings must be made to the diverse customer groups that typically comprise a market. The technique that is used by marketers to get to grips with the diverse nature of markets is called market segmentation.

Market segmentation consists of dividing a diverse market into a number of smaller, more similar, sub-markets. The objective is to identify groups of customers with similar requirements so that they can be served effectively while being of a sufficient size for the product or service to be supplied efficiently (Jobber 2004: 210).

There are three broad groups of consumer segmentation criteria: behavioral, psychographic and profile variables which can be found from the table 4 in detailed.

**Table 4: Consumer segmentation methods (Jobber 2004: 214)**

Variable	Examples
<b>Behavioral</b>	
Benefits sought	Convenience, status, performance
Purchase occasion	Self-buy, gift
Purchase behavior	Solus buying, brand switching, innovators
Usage	Heavy, light
Perceptions and beliefs	Favorable, unfavorable
<b>Psychographic</b>	
Lifestyle	Trendsetter, conservatives, sophisticates
Personality	Extroverts, Introverts, aggressive, submissive
<b>Profile</b>	
Age	Under 12, 12-18, 19-25, 26-35, 36-49, 50-64, 65+
Gender	Female, male
Life cycle	Young single, young couples, young parents, middle-aged empty nesters, retired
Social class	Upper middle, middle, skilled working, unwaged
Terminal education age	16, 18, 21years
Income	Income breakdown according to study objectives and income levels per country
Geographic	North vs. South, urban vs. rural, country
Geodemographic	Upwardly mobile young families living in larger owner-occupied houses; older people living in small houses; European regions based on language, income, age profile and location

Since the purpose of segmentation is to identify differences in behavior that have implications for marketing decisions, behavioral variables such as benefits sought from the product and buying patterns may be considered the ultimate bases for segmentation. Psychographic variables are used when researchers believe that purchasing behavior is correlated with the personality or lifestyle of consumers: consumers with different personalities or lifestyles have varying product or service preferences and may respond differently to marketing mix offerings (Jobber 2004: 213).

However, segmentation may not follow this logical sequence in practice. Often, profile variables will be identified first and then the segments so described will be examined to see if they show different behavioral responses.

### ***Understanding the competitors analysis***

Companies who focus on competitors' actions have been found to achieve better business performance than those who pay less attention to their competitors. It is important that companies know where they stand or their position related to competitors. The competitor analysis can learn about the competitors' strengths and weaknesses in order to be the better choice to match the consumer satisfaction and to be able to create greater value than the competition.

*Figure 5: Competitor analysis (Jobber 2004: 682)*



#### Identifying competitors

When the company identifies the competitors, the company should select only companies that are producing technically similar products are considered. This ignores companies purchasing substitute products that perform a similar function (Jobber 2004: 682). Beyond these current competitors the environment needs to be scanned for potential entrants into the industry, especially for a new entrant who should know the other new entrants information besides the existing competitors.

#### Audit competitor capabilities

The company needs to know the background of competitors and the special technologies which they are using for their products and services. Regarding the marketing strategies such as the market share and the positioning in the target group is an important part in the competitor analysis.

Moreover, a precise understanding of competitor strengths and weaknesses is an important prerequisite of developing competitor strategy (Jobber 2004: 683). Strength and weakness analysis can be obtained from marketing research surveys, recruiting competitors' employees by interviewing them or the secondary sources such as trade magazines, newspaper articles and distributors.

#### Competitors' response patterns

As we know that understanding competitor objectives and strategies is helpful in

predicting competitor reactions. Competitors' past behavior is also a guide to what they might do.

There are five types of competitors which is defined by Jobber (2004: 686)

#### 1. Retaliatory competitors

This type of competitors can be relied on to respond aggressively to competitive challenges; normally the role of this type of competitors is the market leaders who often try to control competitor response by retaliatory action.

#### 2. Complacent competitors

Some markets are characterized by years of competitive stability with little serious strategic challenge to any of the incumbents. This can breed complacency, with predictably slow reaction times to new challenges.

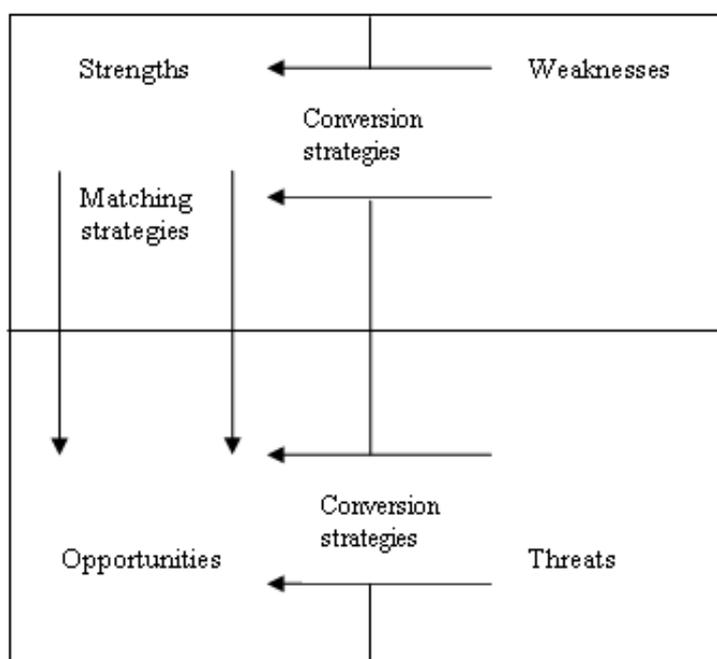
#### 3. Selective

This type of competitors may respond selectively. Because of tradition or beliefs about the relative effectiveness of marketing instruments a competitor may respond to some competitive moves but not others.

## 2.3 SWOT analysis

A SWOT analysis is a structured approach to evaluating the strategic position of a business by identifying its strengths, weaknesses, opportunities and threats. Internal strengths and weaknesses are summarized as they relate to external opportunities and threats (See Figure 6).

*Figure 6: SWOT analysis and strategy development (Jobber 2004: 45)*



Once a SWOT analysis has been completed, thought can be given to how to turn weaknesses into strengths and threats into opportunities. A threat posed by a new entrant might call for a strategic alliance to combine the strengths of both parties to exploit a new opportunity. Because these activities are designed to convert weaknesses into strengths and threats into opportunities they are called conversion strategies. Another way to use a SWOT analysis is to match strengths with opportunities. These are called matching strategies (Jobber 2004: 45).

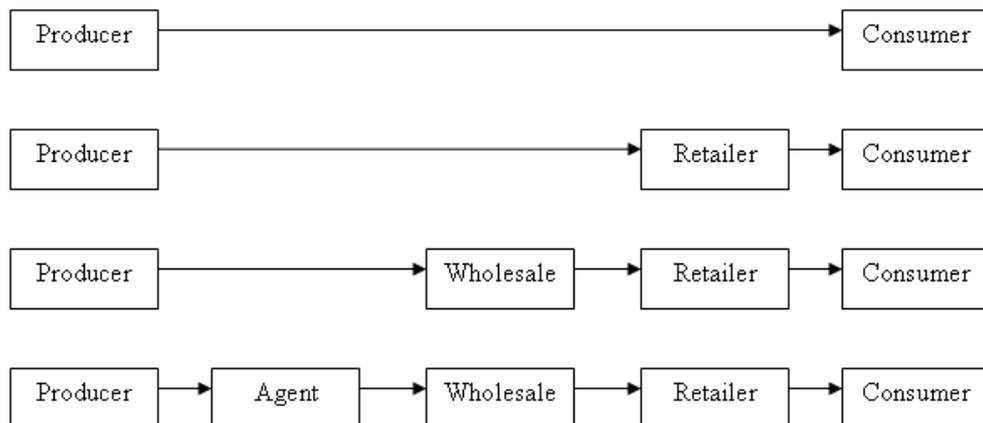
In the company's final internal and external environment analysis, the SWOT analysis can be made for the conclusion of the environment analysis part. The SWOT analysis should give the recommendation how to convert weaknesses into strengths and threats into opportunities.

## 2.4 Distribution channels

As the case company is a producer for consumer goods, here we only discussed about the consumer distribution channels.

The figure 7 (Jobber 2004: 638) shows four alternative consumer channels. Each one is described briefly below.

*Figure 7: Distribution channels for consumer goods*



### Producer direct to consumer

Cutting out distributor profit margin may make this option attractive to producers. This is kind of direct marketing such as direct mail, telephone selling and internet online shop. This direct distribution needs the producer has strong marketing position and financial support in the target market and the producer need to know the market very well.

### Producer to retailer to consumer

This way is more economic for producers to supply retailers directly rather than through wholesalers, meanwhile, consumers have the convenience of viewing or testing the product at the retail outlet. E.g. supermarket chain

### Producer to wholesaler to retailer to consumer

Wholesalers can buy in bulk form producers and sell smaller quantities to numerous retailers such as small grocery or furniture shops. For wholesalers, the threat is that the big retailers can buy directly from producers and cut out the wholesalers.

### Producer to agent to wholesaler to retailer to consumer

This long distribution channel is used by companies entering foreign markets. The agent contacts wholesalers or retailers and receives commission on sales. The case company has successfully entered into Southern European market as a Foreign Direct Investor (FDI), the potential distribution channel in Finland can be the same as the previous method as producer to retailer to consumer.

## 2.5 Entry modes

Entry mode is an institutional arrangement which makes possible the entry of a company's products, technology, human skill, management or other resources into foreign market (Root 1994). The entry mode of how to enter a new foreign market can have a significant impact on the result. There are three modes which can be used by enterprises.

### Exporting mode

Exporting is a direct sales marketing method of domestically-produced goods in another country. Export entry mode differs from other entry modes in the sense that company's final or intermediate product manufactured in domestic market or else where is transferred to the target market (Root 1994).

Generally, the food exporting to supermarket chain is an example. Thailand supplies jasmine rice both in domestic and international markets.

### Intermediate entry modes

Compare with exporting modes, intermediate is a carrier for transfer knowledge and skills to the exporting market, but they are not fully ownership involved in abroad. Licensing, joint venture, strategic alliances, management contracting are the major ways of it. Intermediate entry mode requires shared control, therefore, also shared risk and split ownership (Svend Hollensen, 2007). There are some brief introductions of Licensing and Joint venture.

### ***Licensing***

Licensing agreement is an arrangement whereby a company transfers to foreign entity for a defined period of time the right to use its industrial property in return for royalty (Root 1994). Licensing is adopted as an alternative entry mode when

foreign markets are too risky or small or when firms has limited resources or experience of operating with exporting and manufacturing mode (Welch 1984)

Different modes of entry may be more appropriate under different circumstances. Walt Disney Co. built a theme park in Japan had been licensing.

#### ***Joint venture***

Joint venture is an arrangement whereby a firm shares an equity and business control with host country's partner (Taylor et al., 1999). The key issues to consider in a joint venture are ownership, control, length of agreement, pricing, technology transfer, local firm capabilities and resources, and government intentions (Foley, James F., 1999).

#### **Hierarchical mode**

Using the hierarchical mode, where the company is fully owns and controls aboard market by its own. It may set up a foreign sales subsidiary, domestic based sales representatives, or region headquarter, etc. it requires company with strong finances and high risk involved too. Therefore hierarchical mode will be within a high control, as well as high risk and low flexibility (Hollensen, 2007).

#### ***Foreign Direct Investment***

Foreign direct investment (FDI) is the direct ownership of facilities in the target country. It involves the transfer of resources including capital, technology, and personnel. Direct foreign investment may be made through the acquisition of an existing entity or the establishment of a new enterprise (Foley, James F., 1999).

An example of Disney again, Walt Disney Co. chose direct investment in its European theme park.

### **3. CASE STUDY OF HAIER GROUP**

#### **3.1 Internal Analysis**

##### ***Company profile***

Haier was found in 1984 with headquarters in Qingdao, China (www, Haier, 2009). Haier business concept is to produce white household appliances such as refrigerators, air conditioners, washing machines, televisions, water heaters, personal computers, mobile phones, and kitchen appliances. As of 2007, the Haier Group has established a total of 64 trading companies, 29 manufacturing plants, 8 design centers and 16 industrial parks. Haier has advanced through the 'brand building,' 'diversification,' and 'internationalization' stages, and since 2005 has embarked on the fourth stage: "Global Branding." Haier has enjoyed a growing international reputation over the past 24 years. Inspection and Quarantine has named Haier refrigerators and washing machines as among China's "Top Global Brands."

## *Haier in overseas*

### Haier in Europe

Haier started manufacture in Europe since 1996. The company has gained wide recognition in European appliance market for high quality, unique design and efficient customer service. Meanwhile, Haier merged with an Italian plant in June 2001, and then the sales of Haier products in Europe have increased 15 folds over that from 2002 to 2004. The company focuses on the products' high quality, the satisfaction of customers needs are also significant which they want to develop their techniques and products. They used the localization strategy to expand into European Market. As the same time, information network and supply chain were established as well. Italy was selected as the European head office. The Haier Group's relationship with Europe, commenced more than 10 years ago when its first product were introduced on the European market.

### Haier in US

Since 1996, Haier has started manufacture in US and set up its plant in April, 1999. Haier has enlarged the market in North America through the exploitation of US market and it is successful. But it is difficult to ship large volume products to US for the long distances between US and China. Consequently, a manufacture plant was established by Haier with the help of American plant.

In practice, Haier didn't use the Chinese management to US, because they understand the different culture affection. They hire the American manager to start the business, only introduce Haier's corporate culture and let them share and understand it. Moreover, Haier use the brand strategy to be the first step of entering market to improve the brand reputation. Now the sales of refrigerators are increasing and gain high brand loyalty.

Today Haier products are sold worldwide in more than 30,000 outlets in 165 countries and Haier customers have the benefits of 11,976 service centers at their disposal (www, Haier Australia, 2009)

### *The company's mission*

The company's objective is that Haier's products aim to make lives more convenient and comfortable through innovative appliances. With a mission of "customer-oriented design", Haier pays great attention to safety, health, and the environmental concerns of consumers in designing its products, through the product development to gain more European consumers satisfactory in order to expand the Haier's market shares in the coming years for its target markets in Northern European countries.

### *The company's competitive strategy*

The development of Haier Group grows rapidly in the recent 16 years. From a Chinese small factory to the "top brand" company in China which has a high recognition in the international market, Haier's key competitive strategies must

be very successful. Building a top brand image is the earliest strategy of Haier and the company is still working on it internationally. Customizing strategy is developed by Haier through their uniquely customized approach when entering each specific market at a specific time. The company's range of product is regularly extended with exciting new additions in different geographic areas. And the world-class standards is their product requirement for both quality and process makes Haier became the first Chinese manufacturer to be accredited to the ISO9001<sup>1</sup> quality system and ISO14001<sup>2</sup> for environmental protection (www, Haier, com).

Moreover, by the development of its business process, Haier achieved a market advantage by adopting an approach focused on centralized order handling. Using this optimized approach, Haier also shifted manufacturing operation from make to stock (MTS) to make to order (MTO), and put in place just in time (JIT) inventory management principles. Through these actions, which are consistent with the concepts of lean manufacturing and distribution, the company was able to minimize material inventories in its production network and become more responsive to market demands (SAP AG, 2008).

### *Product characteristics*

Haier has introduced a series of new hi-tech environmentally-friendly washing machines, staying ahead of the market trend and demonstrating the technological innovation capability of the company. Meanwhile, Haier is the only home appliance manufacturer in the world producing the top-load, front-load, and double-drive washing machines, because the top-load washing machines still have the good market shares in Asian markets. Haier produces 18 series of washing machines with more than 5000 models so far. The washing machine which Haier believes will be very popular in the future.

The double-drive is a new type of washing machine which can realize simultaneous rotations of the impellers and the inner drum, using 50% less water and electricity than other designs. Haier's detergent-free machine is equipped with a diaphragm electrolyzer which electrolyzes running water into low acidic and low alkaline solutions. This low alkaline water replaces detergents to clean dirt and oil stains on the clothes, and the low acidic water is used for sterilization during the rinsing process helping to prevent skin allergies due to chemical residues. The Haier detergent-free washing machine also protects the environment by eliminating the need for environmentally damaging detergents (www, Haier, Business, 2009).

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<sup>1</sup> ISO9001 is one of a series of quality management system standards. It can help bring out the best in organization by enabling the company to understand the processes for delivering the products/services to the customers.

<sup>2</sup> ISO14001 – Enviroguard and the Environment, ives the requirements for environmental management systems, confirms its global relevance for organizations wishing to operate in an environmentally sustainable manner.

## 3.2 The external analysis

### 3.2.1 The macro-environment analysis

Finland has a highly industrialized free-market economy with a per capita output equal to that of other western economies such as France, Germany, Sweden or the UK. And it is also highly integrated in the global economy. The largest trade flows are with Germany, Sweden, UK, USA, Netherland, Russia and China. As of 2008 average purchasing power-adjusted income level are similar to those of Italy, Sweden, Germany and France. Purchasing power-adjusted average household consumption is about the same level as it is in Germany, Sweden and Italy (www, Finland, 2009).

#### *Political factors*

There are around 5.3 million people reside in Finland, with the majority concentrated in the southern part of the country. About 60% live in towns and cities, with one million living in Helsinki Metropolitan Area alone. In Arctic Lapland, on the other hand, there are only 2 people to every square kilometer. At the end of 2006 by the demographics statistics from the CIA World Fact book, there are 66.5% population ages between 15-64 years old, 16.5% people are 65 years and over the age (www, virtual Finland, 2009).

Finland's general trade policy emphasized: dismantling barriers to trade and investment and participation in an open world economy. The key challenges include customs duties and non-tariff barriers to trade and trade-distorting measures that are still prevalent in many markets.

Finnish Competition Authority is an organization too protect sound and effective economic competition and to increase economic efficiency in both private and public-sector activity. Furthermore, the Finnish government also helps entrepreneurs in the start up grant as a discretionary support intended to secure one's live condition during the business start-up phase, and if it is a private enterprise, the government also offers supporting fees monthly and considered as the applicant's personal taxable income. Government also reduces the amount of starting money for limited companies from 8000 Euros to 2500 Euros.

## Economic factors

### Finland: Demand, output and prices

	2005	2006	2007	2008	2009	2010
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption	81.3	4.2	3.2	3.3	1.9	1.8
Government consumption	35.0	0.7	1.2	1.5	1.4	1.1
Gross fixed capital formation	29.8	4.8	8.4	0.0	-1.9	1.7
Final domestic demand	146.1	3.5	3.8	2.2	1.0	1.6
Stockbuilding <sup>1,2</sup>	4.2	-0.3	0.3	-1.4	-0.1	0.0
Total domestic demand	150.2	3.1	4.1	0.6	0.9	1.6
Exports of goods and services	65.6	11.9	8.2	5.0	2.1	4.8
Imports of goods and services	58.7	7.8	6.6	1.8	2.6	4.9
Net exports <sup>1</sup>	6.9	2.4	1.4	1.8	0.0	0.5
GDP at market prices	157.2	4.8	4.4	2.1	0.6	1.8
GDP deflator	–	1.5	2.8	3.3	3.3	2.1
<i>Memorandum items</i>						
GDP without working day adjustments	–	4.9	4.5	..	..	..
Harmonised index of consumer prices	–	1.3	1.6	4.0	1.9	1.6
Private consumption deflator	–	1.6	2.2	2.8	1.9	1.7
Unemployment rate	–	7.7	6.9	6.2	6.5	6.8
General government financial balance <sup>3</sup>	–	4.0	5.3	4.6	3.3	2.7
Current account balance <sup>3</sup>	–	4.5	4.3	2.9	2.4	2.5

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. Including statistical discrepancy.

3. As a percentage of GDP.

Source: OECD Economic Outlook 84 database.

According to the Finland economic outlook figure, we can see that in the first half of 2008, government revenue has grown by 10% and expenses have fallen by 2%. Economic activity has slowed substantially, mainly due to a decline in investment. Output growth is projected to be subdued in 2009, before recovering during 2010. Unemployment is likely to drift up during 2009, but should stabilize in 2010. Lower commodity prices and growing slack in the economy should bring down inflation from the current high rate.

On the other hand, there are a lot of opportunities of Finnish economy to be benefited into the globalization such as the opening international trade policy and foreign direct investment, a number of higher education populations and a strong innovation record. Moreover, with the progress of high technology, industry, energy and environment, Finnish economy is keeping growing gradually (www, OECD, Finland Economic Outlook, 2008).

## Taxation

This is an example for taxation in one condition (www, Vero, Annual report, 2009).

### *Taxation of companies and their non resident shareholders when there is no double taxation agreement between finland and the state of residence of the shareholders*

<b>I Rates of income tax (corporate bodies)</b>		
Corporate income tax rate		26 %
<b>II Taxation of the company</b>		
Profits		1,000
Corporate income tax 26 %		260
The total tax burden is the corporate income tax 26 %, i.e.		260
<b>III Taxation of non resident shareholder</b>		
Gross amount of dividends received		740
28 % final withholding tax	less	207.2
Remittable abroad		532.8
<b>IV Total effective tax burden for non resident shareholder</b>		
Company profits		1,000
Corporate income tax (cf. II above)		260
Shareholder's tax (cf. III above)		207.2
Total amount of tax (II + III)		467.2
<b>TOTAL EFFECTIVE TAX BURDEN:</b>	$467.2 \times 100 = 46,72 \%$	<b>1,000</b>

The trade in goods between the two countries for import and export, goods can move freely without customs duties across the borders from one EU country to another and also need to be declared to Customs. However, VAT (Value-added taxation) is needed on Community trading between enterprises. Trade in goods between VAT- paying enterprises within the EU internal market area is based on the destination country principle which is making a Community acquisition is liable to pay VAT.

Finland's VAT system came in to effect on 1 June 1994. The standard VAT rate is 22%. However; two reduced rates (8% and 17%) and a zero rate are also used. The zero rates allow tax-exempt sales, and the seller is entitled to a full refund for the input VAT paid. The VAT rate is always stated as a proportion of the price before tax (www, finance, 2009).

### *Social and culture factors*

Finns pay high taxes but get a lot in return for their money. Finland has for a long time has one of the lowest infant mortality rates in the world. Nordic countries are famous on the welfare system in the world. Unlike the welfare system of the US or most West European countries, those of the Nordic countries covered the entire population and they were not limited to those groups unable to care for themselves. Moreover, the citizens had a legal right to the benefits provided by their welfare system and well structured education system and consensus Politics. Finns may not always recognize clear economic class divisions; they are likely to be conscious of status attached to educational and honorific titles and to political-party affiliations.

The Finns are generally very honest and quiet. The Finnish lifestyle is relaxed and easy-going. But Finns are also hard workers and the life in the busy cities is more or less stressful. In Finland, there is a good balance between family and

working life because there is both relatively much time available for the family and good opportunities for professional challenges at work. Most Finnish houses and flats are in a high standard and have a sauna room or house which it is such an important part of the Finnish lifestyle. Besides, summer cottages are often used by Finns to go to rest and spend some time with their families. Every summer cottage has to have a sauna. And they have the habit to take a “dip” in the sea or lake where is near by the sauna house no matter in winter or summer, this is an old tradition that goes together with the sauna.

### ***Technology factors***

Finnish largest industries are electronics, machinery, vehicles, and other engineered metal products, forest industry and chemicals. Forestry, paper factories, and the agricultural sector are politically sensitive to rural residents.

Finland’s technology industries – the electronic and electro technical industry, mechanical engineering, and the metal industry- have faced through times over the last few years. There are now signs of a return to growth in recent years.

Globalization is changing the economic structures of many countries and industries in today’s world. Finnish technology industries are small in size, as are the country’s population base and overall economy. The largest Finnish companies are very international, and despite their narrow domestic market base. However, high labor costs make moving production offshore is impacting Finnish technology industries.

This figure (www, high-tech Finland, 2009) below shows the global market share of Finnish companies in selected product categories in 2003. Figures are based on company estimates and include output from overseas subsidiaries.

#### **Electronics industry**

Mobile phones	38%
Meteorological radio sounds	67%
Electroluminescent displays	60%
Micro Electro Mechanical System (MEMS) sensors in cars	6%
Low-g acceleration sensors	50%
Heart rate monitors	48%
Mammography equipment	15%

#### **Innovation**

Finland’s success lays in the research and development (R&D) investments made by Finnish companies, universities, and research institutes. The results of the long term investment in R&D can clearly be seen in the productivity of manufacturing industries where Finland has reached the level of the US. Consequently, Finland has a very attractive innovative environment with high-technology industries.

### 3.2.2 The micro-environment analysis

#### *Market size and market demand*

Household market in Finland experienced value sales increases slowly in recent years. Finnish household market has been very mature and the growth rate was in line with the review period's slowly declining sales growth.

According to the demographic survey, there is a washing machine in 87% of households, in almost every family with children and in over 70% of single households (K. Aalto, 2003). Generally, washing machine is normal and important household equipment in people's living place. The household consumption still takes the biggest proportion than other goods consumptions for Finns. The sales of household electronics have an ensured growth by the products with new innovations, environmental friendly and heavy advertising.

Consumers' lifestyles are becoming more hectic as the demands of the workplace increase. People do not have the time or the willingness to spend on household cleaning and care, but still want to maintain a high level of hygiene, the demand for efficient products is increasing.

Washing machine is normal durable cleaning equipment, which is using in different areas such as housing, meal, cleaning, textile care and nursing services extensively. Here in the Haier's business plan, its laundry product target is mainly using for housing normal cleaning. According to the figure of household expenditure, the household equipment expenditure is still increasing steadily every year, especially the sales of household appliances increased a lot from 2005 compared with 2004. In 2007, the sales of household appliances are increasing slightly again which means the market demand is still increasing stable. Moreover, among families with children, there are 90% nearly always wash laundry at home. Couple households and families with kids are the most frequent users.

There are alternatives to making clothes and household textiles: making at home, making them outside the home in the public sector. The development of laundry service has transferred people's laundry activities from home to outside service rooms. Moreover, in the outside laundry activities, there are two choices: outside laundry service, self-service in the common laundry rooms near the uptowns.

Home	Outside	Example
Washing machine	Professional laundry	Dry clean shop
Washing machine	Self service laundry	Self - laundry shop
Washer and dryer	Common laundry	Laundry rooms in the basement of the uptown

These various laundry ways required different washing machines functions. Depending on the living condition, consumers need various laundry products. Generally, families who are living in houses with kids need to have the washing machines and the drier machine because the families are washing more frequently weekly. Couples and singles without kids and less family members prefer the single function, small size washing machines. The dryer machine is not very im-

perative.

The Finnish washing machine market is a multinational market with different electronic product players and local brands to dominate the market. Multinational players' market share is growing up and it will impact on the local Finnish household appliance brands. Multinational players such as Miele, Electrolux and Siemens have the leading positions in the Finnish home appliance market.

### ***Investment situation in Finland***

Finland's economic policy has been to keep a high standard of living during the last decades. In order to improve employment and enhance the efficiency of the economy, Government encourages foreign investment in Finland which the present attitude towards foreign investment is liberal and since 1993 (KPMG, 2005).

Foreigners are permitted to own real estates as well as shares in Finnish companies. Furthermore, strong growth in economy with the special geographic location serve both the domestic and surrounding markets, including the vast potential in Russia and the Baltic countries and other Eastern European countries.

Finland also has other programs to attract foreign investors. Finland has a well developed infra-structure which includes quick and efficient access to Russian and Eastern European markets because Finnish foreign trade can effect to the economy areas of Eastern Europe, thereby investment in Finland can also enlarge the brand awareness of the Eastern European market. English is very common in Finland besides Finnish and Swedish, hence, business communication is not a problem. Every great developed scientific and technological infrastructure represents the whole society has a strong financial system to support the economical organization.

Finland is a peaceful country also the equality is one of the business cultures. 100% foreign ownership is recognized in most sectors and there is no discrimination against foreign companies in favor of local companies as well as between benefits granted to foreign investors and those granted to local investors. Moreover, Finnish government also offers the investment grants to foreign investors based on different enterprises situation such as the size of companies, financial situation, and development area as well as the payroll for the project in small companies to support in various grants.

According to the Finnish tax system rules, small and medium sized foreign companies can be granted tax benefits for the development areas and the benefit is restricted to qualifying industries.

Loan and guarantees benefits are granted through the Finnvera Government Corporation and mainly for small and medium sized companies. This benefit is to support enterprises cheap finance and the provision of guarantees for business development purposes and the encouragement of export.

In recent years, foreign trade and services have grown strongly in Finland. Consumption and consumer confidence has increased steadily in these years. Finnish

consumers enjoy spending time in shopping because steady growth in economy affects growing private purchasing power. Strong market demand required high standard new products into this growing market. With all positive economic figures and the government strong supports, Finland has a great business environment for foreign investment in various industries in future. However, the whole Europe was influenced by the economical crisis in 2009, but the economy is going to be recovered in 2010. Finnish government and local enterprises are confident that the economy can get through it to be active again.

### *Market Segmentation and buying behavior*

Due to the different product categories of the laundry products for the various market demands, understanding and finding out the Finnish customers' needs and collecting buying criteria information is significant for the new entry company. In order to acquire the results, the analysis of market research of the end users of laundry products started in the beginning of April; the methods of the research combined qualitative and quantitative research including in the field research such as the personal interview, internet survey in different big cities like Helsinki, Tampere, and Vaasa etc. In addition the personal interview was taken in the city center, the big shopping malls and railway stations in Tampere region as well as the interview of retailers to take the preliminary data. And the desk researches were taken by internet, books, newspapers and magazines to collect the secondary data. The goal of the interview is to understand the buying behaviors of Finnish customers to choose white household appliances, specially the laundry products.

The results of the research (See Appendix 2) are satisfactory and mostly effective. The collect information could be seen as very important factors as the first data, which can be used to confirm Haier's objective, target group and customer need. The analysis of the market research is as follows:

There were 200 questionnaire (See Appendix 1) were sent and 141 questionnaire were effective. The sample groups were taken in different working areas in Finland. In the end users' market, the main characteristics are the age and the income differences to decide the consumption level.

- End users of 18 – 25 years old  
This segment end users are mainly studying at Colleges and Universities, living in various apartments such as the student apartments, the normal apartments where the parents' hosted and the own apartments. Most of them do not work or have part time jobs in the spare time, also a number of people have a job without studying. Therefore, the level of income is around 1000 – 2000 €/ month or under 1000 € month. The student apartments have common laundry rooms so the laundry service is freely to use. But some people have their washing machines in their own apartment; the criteria of buying washer are good quality, functional well, small size and cheap price. Some people are living with their parents' place or not far, so the buying decisions are not made by them but their parents. In general, the buying criteria of washing machine are not very high but they do have to use washing machine. Their requirements of laundry just need to be

clean and even some of them are no comments.

The common laundry rooms which in the student apartment regions can be the potential sales areas. It required a high speed spin and big sized washing machine with different functions for different laundry users. The characteristics of the common washing machines need to be high quality, durable, functional.

- End users of 26 – 40 years old  
This second segment is the users who have stable jobs and income with monthly salary. According to the survey, a person who is 26 – 40 years old has around 2000 – 3000 Euros per month. This group user has the abilities to consider buying washing machines for apartments, or changing the old one. Most of them have married or with partners and live in close to city center in the apartments. Some families are living in houses in the towns around the big city and work in the cities by cars. Generally, the lifestyle is enjoyable on both family life and social belonging activities. However, they are lack of time to enjoy as the plenty of jobs and house works and many living expenses. They also need to take care of kids for various activities. Usually, families are likely doing household in weekends. Hence, families with children are the main group in this segment who has the high requests of washing machine.

In the whole European countries, the concept of environment protection is significant for European customers to buy different products. Also they care about the energy and water consumption and the affection for the environment and the quality of washer, durable, silent level because noise is also a kind of pollution, and nice appearance to match their living places. Moreover, people are busy on the working life and taking care of the families, the washing machines have some functions such as quick wash function is popular for this segment group.

- End users of 40 – 60 years old, over 60 years old  
This third segment group is the largest user group. The stable and good income level can let them consume many products based on their needs. Their average income range is around 3000 – 4000 € month before tax so this group is mainly on the middle and high class level in the Finnish society and they have a very high standard of the life. People are living in satisfactory of their lives and they have certain of property. Some people are close to the retirement age (65 years old) or have been already retired. They have a very stable life and less pressure of life. Their kids have grown up to be the independent adults and the house loan has been paid out. People have different living condition either houses or apartment.

This group people prefer the washing machine to have good and multiple functions and convenient use. They required the high quality of washing machine and durability. The most important factors are quiet, saving energy and water use.

According to the survey's result (Appendix 2), the buying behavior in laundry product market and consumer choice of distribution channels of Finnish consumers can be shown. Most of Finns have the quite clear and high environment awareness and consider the energy level to be the priority choice when they

choose the household appliances for the long term use. They care about the health of families also the environment and the effect for the other people. The brand name is not very important for the product choice but the good brand has been built up the high quality image in the Finnish consumers' thoughts. Quality and durability are very important factors of choosing the laundry products and they prefer paying higher prices to purchasing the good quality and durable washer. Many people think the nice appearance is needed but not very necessary, European style is just simple and classic without too much decoration. The acceptable price of washing machine in the local market is approx. 400 – 600 € and the willing using time of a washing machine is around 3 – 9 years or as long as possible.

We can see that Finnish customers as same as the other European customers that they have a high standard requirement for household appliances, this requirement level is reflected from their high quality life and environment. Meanwhile, they usually search and make a survey by using internet and shop websites a lot before buying. And all the electrical stores have all the information in details. However, there are none of people hears about HAIER as a brand of washing machine from China so far.

### *Competition Analysis*

#### **– Whirlpool**



#### Introduction

Whirlpool Corporation (www.whirlpool.com, 2009) is the world's leading manufacturer and marketer of major home appliances with 69 manufacturing and technology research centers around the globe. The company markets Whirlpool and other major brand names to consumers in more than 170 countries. Whirlpool sells its products to retailers, dealers, distributors, builders and other manufacturers.

Whirlpool mainly supplies the products to retailers that carry Whirlpool products include IKEA, Home Depot etc. Many major home appliances marketed under the Kenmore brand name.

Whirlpool set up the head office in 1995. The Company has entered into the mainly American market such as Canada, Mexico, Argentina and the most of European countries as well as Asian Pacific market such as Australia, Hong Kong, India and New Zealand etc.

Employees: 73,000

Founded in: 1906, Benton Harbor, Michigan, U.S.A

Italy is one of Whirlpool Europe's key markets, the Italian sales organization has grown to become the second country after France in terms of volume, market shares and profits. Moreover, in the future Whirlpool is strongly to have a clear

customer vision such as the CRM Customer Relationship Management project and the easy order system launch, which it is ready to implement in other European Commercial organizations such as Poland.

### Whirlpool in Finland

Whirlpool has the similar marketing strategies in the Scandinavian market; Whirlpool focuses on a concept of Green home, which takes its model from the cycle of nature, optimizing the use of heat and water with processes. Their products were designed of saving deriving from technological progress and saving from a kitchen eco-system created to adapt, reduce and recycle water. Moreover, Whirlpool wants to design from a change in consumer behavior to choose the correct cycles, temperatures and programmes in order to satisfy the northern European customers' special needs.

In the whole, Whirlpool is going to focus on the saving energy and environment protection to promote their products in the whole European market.

Whirlpool fabric care product has washer's products concerning the differences of 6<sup>th</sup> Sense, LCD option, Wool mark and the A+ Energy performance; it also has dryers and fabric refresher products. Here we only talk about the washing machines. The example is one of the washing products AWO/D 7745 selling in Finnish market.

### SW of Whirlpool

- Strengths

- Long history with global brand awareness
  - Economical price level
  - Has the local office in Finland and design centers in Europe
  - Energy saving
- Weakness
- Limited function - cold fill only

- Miele



**Anything else is a compromise**

### Introduction

Miele (www, miele press release, 2008) is a German manufacturer of high quality domestic appliances and machines for commercial applications, found in 1899 in Germany. Miele emphasizes to give customers a high standard of durability, reliability, security and peace of mind. Miele's core competition is to use a promise of quality to fulfill the high requirements of customers, as the same time, products' durability is the one of core values and the expectancy of washing machine using life is 20 years.

The company employs c15, 000 staff worldwide (of which c11, 000 in Germany and c4, 000 in other countries) and produces in excess of 5 million domestic appliances each year. Nearly 70% of Miele's products are sold abroad. Miele's

global position is to be a premium brand. In 2008, the company plan was to target on Eastern Europe, Asia, and also Latin and South America markets. Their business strategy focusing on expansion, marketing concepts and innovative product developments which are designed for the individual markets and based on the customers and their national habits.

According to the Miele's sustainability report 2008, the company focuses on the present and future climate protection and the conservation of resources. Miele helps customers to avoid the WEEE (Waste Electrical and Electronic Equipment) problem and promote that the users should return the useless electronic equipments to the retailers for treatment and recycling. The whole aim of the new regulation is cut the amount people send to landfill and buy good quality, long-lasting electrical and electronic goods in the first place for the long term use and better for the environment. This is also a promotion strategy of selling Miele products.

### Miele in Finland

Miele (www, mielefinland, sustainability report 2008) has the Finnish local office in Vantaa, Finland where is responsible for customer support and different kind of Business Corporation in the domestic market. Miele mainly distribute to the electrical retailers and other big department stores and supermarket chains and sell online directly to customers. In 2008, one of the leading globally logistic service German providers - DB Schenker has been the new logistics partner for Miele in Finland. Miele spare parts activities located in Helsinki as the same as the Schenker premises and the parcel service of Miele will be delivered by Schenker throughout the country.

### SW of Miele

- Strength
  - Long history
  - Global brand awareness
  - Strong financial issues
  - Experienced marketer
  - Strong marketing campaign
  - Individual national websites
- Weakness
  - Higher price level
  - Basic functions
  - Lower performance

### **- Electrolux**



### Introduction

Electrolux (www, Electrolux annual report 2008) is a Swedish manufacturer of home appliances and appliances for professional use. The company products are

mainly in use of home appliances under various brands such as Electrolux, Germany's AEG-Electrolux, Italy's Zanussi, Australia's Kelvinator and US - Eureka and Frigidaire. The company has more than 150 markets all over the world and the largest markets are in Europe and North America. Electrolux has 59% of kitchen products which is for consumer use and 20% in laundry care. There is only 7% production for professional users; it is 2% of laundry equipment production and 5% for food service equipment. Electrolux is trying to increase global competitiveness through innovative products and speed-to-market.

Electrolux thought virtually all households have washing machines but only a few to a tumble dryer. The company is mainly promoting the front-loaded washers than the top-loaded which have rapid growth in US market and almost 100% of front-loaded washers are using in European market.

The future plan of Electrolux in European market will target in Eastern Europe which has a high growth rate for Electrolux. The sales channels of Electrolux are most in retail chains and kitchen manufacturers as well as the internet service. In Europe, Electrolux major markets are Germany, UK and Italy.

### Electrolux in Finland

In Finland, The Company has 3 sub-brands: AEG-Electrolux, Electrolux and Rosenlew and 3 product categories of laundry care: drying cabinet, tumble dryers and washer. The local office is located in Vantaa, Finland. The sub-brand Zanussi has the sale in Finland but it is not the main product.



AEG-Electrolux has been the master brand of Electrolux which has a long history since 1887. In Europe, Electrolux has put AEG-Electrolux in a high level to stands for high-quality appliances that combine top performance with excellent German design. Meanwhile, AEG has different product categories besides washing machine such as telecommunication, car radios, consumer electronics etc. AEG's values are a fascinating technology, quality, durability and a clear, structured design.

## Electrolux

Electrolux is the flagship brand for cleaning appliances for both consumers and professional users. In Finland, the Electrolux brand has benefited from the strength of local brands with a long heritage in its market.

The famous product series is the Electrolux Green collection which is an environmentally conscious home appliances series, which is designed to meet the

highest energy and water consumption standards. For example, vacuum cleaners, which are made from recycled materials and equipped with energy consumption from the small engines. Washing machine series has the Wash Energy Class AAA. The product has the effective spin with low energy consumption and timed startup option, which can be allocated to energy consumption to a desired time.

The washing machine has front-fill, top loading and small space 3 type's categories. The characteristic is the time manager function which can be chosen the self-washing program length let consumers decide how long the wash lasts. The small space washing machine is designed for 1-3 person households and smaller spaces, such as multi-storey building housing the bathroom.



Rosenlew is an Electrolux owned home appliance brand available in Finland. Electrolux stopped the manufacturing of fridges in Pori, Finland, in 1998. But the products such as cooker, fridge, dryer and washing machines still have a good market share in Finland. Rosenlew is one of Electrolux strategic appliances brand in Finland. The head office is in located in Vantaa as well.

### Brand Differences

Electrolux focuses on the brand strategy as the most important assets. The company knows that consumers do not purchase household appliances often, and they have limited knowledge of the products that have been introduced since their last purchase. In order to satisfy a wide range of consumers and professional needs, the company combines or owns the national local brands in home markets. Rosenlew is a domestic brand in Finland, AEG and Electrolux are the master brands also selling in the other European markets. The brand strategy is to use double-branded with one of their strong local brands in the target market. Generally, the local brand has the strong position in their home markets which are trusted by consumers who look for innovation, design and durability at affordable price levels.

Washing machine market price level in Finland:

Electrolux marketing price: 399 – 699 €

AEG marketing price: 579 – 799 €

Rosenlew marketing price: 499 – 599 €

### SW of Electrolux

- Strength
  - Global leader
  - Strong brand strategy
  - Growing number of new products
  - Different functional programmes
  - Local office in Vantaa, Finland

- Individual national website
- Weakness
- High cost of production base
- Product disadvantages from consumers complains such as computer board

## - UPO



### Introduction

UPO is the local Finnish brand found in 1938. UPO-electric domestic appliances have already been held for decades in place of the household appliances market on the area of cooking, cold storage, receptacles cleaning and laundry management. The targeted product development will ensure that the appliances upon their time are sustainable, safe and economical series of household appliances in the future. UPO household electrical appliance factory is also in Sweden and Italy.

UPO has maintained a solid position of the domestic household appliance market in seven decades. The domestic manufacturing and product development is able to take account of the Finnish consumers' specific demands. UPO has very high brand recognition by Finnish consumers. Many consumers like using UPO washing machines, it is not only to support their local business brand but also they trust the product quality. One of the interviewees said "Probably I will buy a UPO washing machine again. I have an old UPO washing machine which was given from my grandmother after she passed away. The washer is working for 10 years and it is still very well."

UPO Italian household appliances focused on family groups which are started in 2000. At the same time, UPO got solid position in Nordic markets. The UPO in Finland company's main activity is the manufacture of household appliances, and it gives the company strong support in product development, investment and the overall knowledge.

Regarding the laundry product, UPO laundry products based on sustainability, safety, modern designs and good price-quality ratio. The energy consumption of equipment is general rule, the best A-class and has a wide range of economic activities.

### UPO in Finland

UPO focuses on family and children segment groups, they care about the customer needs to figure out the problems which Finns suffer from allergies, asthma or skin rashes. Its guarantees consumers that their products may be up to seven rinses with detergent washed out completely on the Finnish water.

UPO serves two types of washing machines in Finland: front-fill and top loading. And each of types has normal and small sizes for different living condition.

Besides, the products have dryer and drying cabinets. Finland has the long and dark winter time from November to March in next year, the weather is always cloudy or snow, and it has short time to have sunny days in a month. Therefore, the dryer and the drying cabinets are useful some family users. But the dryer and drying cabinets have some limits on the living conditions, normal consumers consider to buy the dryers when they are living in a bigger flat or a house and with their kids. However, the usage of washing machines is normally frequently as same as the dryer machines, especially in the winter time.

### SW of UPO

- Strength
  - o Local brand and manufacture
  - o High brand awareness (UPO is Finland's most trusted household big machine brand in the eight time in 2009)
  - o High quality and customized products
  - o Long history
  - o High consumers recognition
- Weakness
  - o Few subsidiaries overseas (only Sweden and Italy)
  - o Small market share in Europe

To sum up, mostly every competitor has its different product categories, there is one or two main products customizing for the local customers. The concept of product in European market is important for both manufacturers and end users which emphasizes the characters of low energy and environmentally friendly with a long time durably. In Finland, most of the competitors are globe companies and some are running very well. According to the survey of Appendix 2, the most popular brands are Electrolux, AEG, Whirlpool, Miele, Hotpoint and UPO. Most of people are willing to buy Miele, Whirlpool, Electrolux and UPO, LG etc for different needs. If we look at the future, the using life of a normal washing machine is at least 3 or 9 years, consumers do not want to change the washing machine in a short period. On the other hand, the high product costs and the slower consumer needs with the high competition in the market, the sales of washing machines are growing steadily. Tumble dryers and wash dryers are following the sales of washing machines.

However, the main development trend of laundry products marketing is forward to good quality and durable, the design is more customized. As laundry products are a kind of weekly using household equipment in almost every family, this need is always keeping on in the long term.

### **The comparison of main competitors**

From this table, we can see the different aspects of competitors to be clearer.

<b>Competitor name</b>	<b>Whirlpool</b>	<b>Miele</b>	<b>Electrolux (AEG, Rosenlew, Zanussi)</b>	<b>UPO</b>
<b>Ownership</b>	U.S.A	Germany	Sweden	Finland
<b>Target group</b>	Lower-middle class, family, singles	Upper middle and high class	Lower-middle class	Lower-middle class
<b>Key success factors</b>	Worldwide, long history with long experience manufacturing, strong financial background	German high quality image, long history, durable, high quality, worldwide	International, customizing, diversification, local brand strategy, medium price level	Local brand, customer loyalty, low – medium price
<b>Distribution channels in Finland</b>	Gigantti, Expert, Mustapörssi, Veikon Kone, Tekniset, Markantalo	Gigantti, Expert, Mustapörssi, Tekniset	Gigantti, Mustapörssi, Veikon Kone, Tekniset, Markantalo	Gigantti, Mustapörssi, Tekniset, Markantalo
<b>Geographical coverage in Northern Europe</b>	Finland, Denmark, Norway, Sweden	Finland, Denmark, Norway, Sweden	Finland, Denmark, Norway, Sweden	Finland, Sweden
<b>Pricing (discount and allowances)</b>	€ 499 – 569 Flexible price range 50 € + -	€ 730 -1199 Stable price, low discount	€ 399 – 799 Flexible price range 50 € + -	€ 299 – 449 Flexible price range 50 € + -

### 3.3 SWOT Matrix

Haier has quite strong opportunities that can use to expand the market and have the possibilities to enter new product segments and also to maintain the position. In terms to develop and avoid threats situations, the company should use its strengths and turn threats into opportunities at the same time. It can help the company to increase and expand its position on the market.

STRENGTH (Internal factors)	WEAKNESS (Internal factors)
<p><u>Product</u></p> <ul style="list-style-type: none"> <li>• High quality and customized products</li> <li>• Strong brand in China</li> <li>• Wide product range</li> <li>• 22 years working experiences of household appliances manufacture</li> </ul> <p><u>Marketing</u></p> <ul style="list-style-type: none"> <li>• The world's 4<sup>th</sup> largest white household appliances manufacturer</li> <li>• Very good business experience in Europe</li> <li>• Successful marketing strategy to open the US market</li> <li>• Open for a new market</li> <li>• Production just – in – time</li> <li>• Well established collaboration with important customers</li> <li>• Has plants in Europe and US</li> </ul> <p><u>Technology</u></p> <ul style="list-style-type: none"> <li>• High technology</li> <li>• Innovation</li> <li>• Detergent – free technology for washing machine</li> </ul> <p><u>Production</u></p> <ul style="list-style-type: none"> <li>• Ability to produce a large number different models and product series</li> <li>• Effective production</li> <li>• Flexible to match customers needs</li> <li>• Long term employees and every employee accept orders – customizing ideas</li> </ul> <p><u>Profitability</u></p> <ul style="list-style-type: none"> <li>• Increased turnover continuously every year</li> <li>• Investment in new market and new product to fit the demand of the area</li> <li>• Good financial backup</li> </ul>	<p><u>Product</u></p> <ul style="list-style-type: none"> <li>• Many competitors produce the same product categories in the similar design and quality</li> <li>• New product – made in China, some of consumers has another image of made in China such as low quality, cheap etc</li> <li>• No brand awareness in northern European market</li> </ul> <p><u>Marketing</u></p> <ul style="list-style-type: none"> <li>• Only business to business so far</li> <li>• Lack of experiences in northern European market</li> <li>• Almost no business in northern European Market</li> </ul> <p><u>Technology</u></p> <ul style="list-style-type: none"> <li>• Not set up online shopping</li> <li>• Company's European website is lack of product information</li> </ul> <p><u>Production</u></p> <ul style="list-style-type: none"> <li>• Cost of production in Europe is higher than in China</li> <li>• Long term and high trained employees increased the salary expense</li> </ul>

OPPORTUNITIES (External factors)	THREATS (External factors)
<p data-bbox="357 286 555 315"><u>Market/Demand</u></p> <ul style="list-style-type: none"> <li data-bbox="331 349 863 421">● The service center in Stockholm would be a new economic increasing point</li> <li data-bbox="331 432 852 539">● As an EU member, Finland can offer an good and equal business environment for every new company</li> <li data-bbox="331 551 804 580">● Good investment situation in Finland</li> <li data-bbox="331 591 863 698">● A well working mature market in Finland on the area of white household appliances market</li> <li data-bbox="331 710 874 857">● Haier has the capabilities to design the suitable products for Finnish market which has a high standard on quality, energy cost and environment</li> <li data-bbox="331 869 679 898">● New potential target group</li> <li data-bbox="331 909 675 938">● New distribution channels</li> <li data-bbox="331 949 555 978">● New production</li> </ul> <p data-bbox="331 990 485 1019"><u>Competitors</u></p> <ul style="list-style-type: none"> <li data-bbox="331 1052 863 1124">● Position of “small player and new player” in the market from the beginning</li> <li data-bbox="331 1135 852 1243">● To develop more unique and high quality products in order to jump out from the other competitors</li> <li data-bbox="331 1254 531 1283">● Brand identity</li> </ul> <p data-bbox="331 1294 480 1323"><u>Technology</u></p> <ul style="list-style-type: none"> <li data-bbox="331 1357 863 1429">● To use high level production technologies in the future</li> <li data-bbox="331 1440 820 1469">● To learn the new coming technologies</li> </ul>	<p data-bbox="948 286 1145 315"><u>Market/Demand</u></p> <ul style="list-style-type: none"> <li data-bbox="922 349 1453 421">● Bade economic situation in all over the world in these years</li> <li data-bbox="922 432 1426 504">● The slowly development of European single market</li> <li data-bbox="922 515 1286 544">● High prices of new entries</li> <li data-bbox="922 555 1265 584">● High cost of new entries</li> <li data-bbox="922 595 1378 624">● Customers high bargaining power</li> <li data-bbox="922 636 1383 707">● Customers strong brand loyalty of competitors</li> <li data-bbox="922 719 1469 790">● Drastic competition in every existing and potential market</li> </ul>

For the first entry product – washing machine as necessary weekly cleaning equipment, it must have a great opportunity selling on Finnish market. Moreover, Finland has a great life style and high standard of life and high salary level, the local consumption power is relatively strong. The demand for washing machine with durable, high quality, energy saving and super silent module is still the increasing customer need in the long term period.

Furthermore, Haier has the advantages of plenty experiences in European markets, customized product supply and innovation spirit, which can help much for

Haier enters into a new market. In a whole, the investment of Finland can be considered in the future business decision making plan.

### 3.4 Potential distribution channels

In Finland, the distribution channels of sales are running quite mature and experienced. As a foreign investor who has experienced to expand other European markets successfully, Haier can utilize the similar entry plans to enter into Finland in a direct way, the first important thing is to find a good and effective distribution channels to sell its products.

After the various market research and analysis, Haier should choose the distribution channel as Producer- Retailer-Customers as before in other European markets. The Finnish distribution channels can be divided in three types of groups based on the sales areas and the market shares. The largest group is the electrical retailers both of locals and Nordic countries hosted such as Gigantti, Veikon Kone. The second group is the specialty stores of the electrical manufacturers such as Miele specialty store. The third group is the local supermarket chains.

#### Electrical retailers

According to the survey result (Appendix 2), there are 84% of responses choosing to purchase electrical products in the electrical stores. And it is the first choice for consumers to choose quality electrical products, because the electrical stores has several promotion strategies with low price and quantity discount frequently and more choices in order to increase their consumption power. Another reason is the electrical retailers have a large range of electrical products, delivery services and service after sales; therefore the electrical retailers are the biggest distribution channels to be cooperated with the suppliers. The main electrical retailers in Finland are as follows:

#### Gigantti

Gigantti is the sub-brand of Elkjøp in Finland which is the largest electrical retailer in the Nordic countries with over 264 stores across six countries and 6000 employees. It is owned by the British DSG International plc. Gigantti has various products retailing such as white goods, brown goods, and telecommunications. It has a 30 day full refund policy which allows consumers to try the product at home and still return it for any given reason. Gigantti is the biggest electrical retailer in Finland.

Due to the strong marketing position in Finland, Gigantti is running very well operation system from ordering to after sales service. Generally, Gigantti likes to deal with big and credible suppliers, as Haier is an international company which is not a big problem here. There are 64% of interviewees to choose Gigantti as the buying places for washing machine, which means the popularity of this store.

#### Veikon Kone

Veikon Kone Ltd. is a domestic company found in 1962 and it is a household technical specialty store which is owned by Telia Sonera Oy, Finland. Veikon Kone has the big retail chain in many Finnish cities all over of Finland.

The working process is similar with Gigantti. If consumers complain or return unqualified products to the store, they will contact with suppliers for changing or repairing. If the product guarantee is outdated. Veikon Kone will take it as its own responsibility and repairing service fee is charged from consumers. Veikon Kone has a series of discount offers and the information can be found on the shop's websites, consumers can compare the different product information on the websites and purchase online. Veikon Kone is the second largest distribution channel in Finland and there are more than 40% of interviewees to choose Veikon Kone to be their possible buying place.

This company has a long history and long experiences in the local market which has a high loyalty from consumers. The drastic brand competition gives consumers many choices also it increases the selling opportunities of Haier if Haier is standing inside with those competitors. However, it is a good indicator that it can increase the product position in the same level with other international competitors.

### Expert

Expert company is a Norwegian consumer electronics retail chain with stores in Norway, Sweden, Denmark, and other several countries in Europe. Through subsidiaries, franchises and partially owned companies the group has 955 stores. In Finland, Expert operates 21 stores throughout the country.

In expert, the product assortments are various as well but it is less than the previous retailers and Expert will increase more brands in the coming days. In order to stimulate consumers buying and win more market sales, Expert has several combination selling methods for laundry products and other product categories. Some special offers are to sell washing machine and dryer machine together with an attractive price, but normally the combination sale is in the same brand. In the survey, there are more than 30% of interviewees choosing Expert.

The washing machines which are for sale in the electrical stores are in various brands from domestic and international suppliers. In addition, all electrical retailers have the obligation of after sale service such as repairing. The main electrical stores in Finland are running a quite experienced system to in charge of importing and exporting goods between domestic and abroad.

### **The specialty stores**

This kind of stores is only selling the products under the company's brands. Or the stores usually have small market volumes and consumers are quite different and random. They also have the customer services for their products problems.

#### *The suppliers' local offices*

Each of the international competitors has the local office in Finland for the marketing development and service management. The consumers can require or advise regarding products and services. But the main responsibilities of the local offices are B2B and the tasks for maintenance and spare parts, logistics, marketing and sales-service with the local retailers. The contact information can be

found from the company's websites.

Haier must set up the local office in Finland for the contact of the local retailers and other marketing issues. But for the sales of laundry products, the recommendation is rather the electrical stores and supermarket chains than the specialty stores in Finland.

### **The supermarket chains**

Some big supermarket chains are also selling the white household appliances but most of them are the small appliances such as the kitchen equipments. Because of the frequent consumption in the supermarket, consumers like to purchase household appliances in the big supermarket chain and also the attractive discount promotion, good sales service and lower prices are the reasons for consumers to buy in the supermarkets. The examples of big supermarket chains are IDEA Park, S group etc.

IDEA Park is Finland's first Commercial City and a brand new shopping experience. The Commercial City provides previously unseen facilities and various products for desires of the whole family at the main cities (Helsinki, Tampere) in Finland. In IDEA Park, the majority of the stores concentrate on the home and on leisure. In the areas of technology stores, there is Expert, Veikon Kone and other electrical retailers are located in the central areas which can gather a lot of consumers to choose the electrical products in daily.

According to the information of the market research, it is easy to understand that Finnish consumers like to get new product information from various ways, for examples: Post advertisement and brochures from relevant shops, internet, newspaper, magazine, friends and family's suggestion as well as "just go to the shop and ask". Especially more than 50% people like checking information from internet and going directly to the shops instead of TV, magazine and other resources. And most of the retailers Finland websites are available in Finnish from where the consumers can browse some of the products offered at the "real world" electronics shops and discount information.

Consumers like to buy the washing machines in big and creditable stores with a good sales service and various products category offers. In the future, the relationship between retailers and suppliers should have a close cooperation as the retailers are playing an important role in the Finnish electrical markets. If Haier intends to build up brand reputation in the market, it is better to choose retailers with a large and specific household electronics distribution chain, and with a well known and reliable image and experienced business operation for the future cooperation on the area of distribution section.

## **4 FINAL CONCLUSIONS**

As Haier is a famous brand which has been one of the largest household manufacturers in the world and the successful marketing strategies in U.S. and Southern European market, the future potential marketing plan in Finland can be implemented in the coming years. But Haier needs to continuously make a lot of

efforts to the areas of Northern European countries if Haier is going to enlarge its markets.

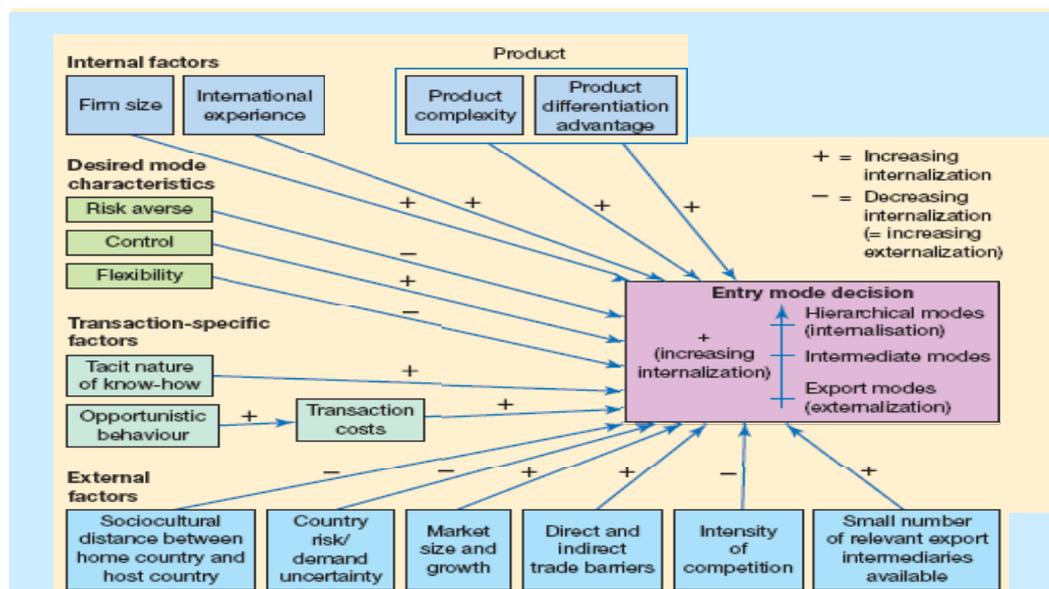
Finland's climate is cold and wet in the winter time, the special characteristics of washing machine can be designed with the dryer and quick wash function. On the other hand, the mature household appliances markets are dominated by several international competitors, the enter barriers are still high for the new entrants. Therefore, the new player must have the special and unique technologies which can be satisfied by the local consumers' highly buying requirements.

From the previous analysis of Finnish macro and micro environment and the globalization economical trend, it is good to see that as a new investor, although the business environment is mature in Europe, it is also a fair and free market with unexplored marketing opportunities which are waiting for the foreign investments. While Haier is going to make the implementation plan to enter into Finland, these factors can be considered and accepted as follows:

### Entry mode

According to the Figure below, the factors on choice of entry mode are sorted into four groups, internal factors, external factors, desired mode characteristics and transaction-specific behaviour.

**Figure 9.1** Factors affecting the foreign market entry mode decision



Hollensen: Global Marketing, 3rd edition, 2004

Chapter 9: Approaches to the choice of entry mode + Intro Part 3

Source: Svend Hollensen 2004

### Internal factors

- **Firm size:** Haier- the 4<sup>th</sup> world largest home appliances manufacturer, its products and service expands in different countries all over the world. The company can fully control aboard markets by its own.
- **International experience:** An international company. As an example of European market, the headquarter is located in Italy, the subsidiaries set up in Germany, France, England and Spain etc. it has the refrigerator factory in Italy. Haier has more than 10 year's sales experiences in Europe which means it has a great international experience.
- **Product:** Haier is always in favor of more direct control on product and having a good branding in the market. Furthermore, in terms of technical nature of products, the maintaining and repairing services are also required besides selling, which request a higher resource from company integrated with the foreign market.

### External factors

- **Socio-cultural distance:** Although Haier is original from China, and it must have socio-cultural distance between China and Europe. Besides, Haier Europe runs all logistic activities through 4 distribution centers serving the entire European market. As Finland is a member of EU, the general culture distance is quite small and close to the other European country. The general socio-cultural distance will not be a big problem.
- **Country risk/demand uncertainty:** In Europe, there is no production factory of washing machine, if we think about the products transportation which is needed to transport from China to Finland the transportation cost is high but the risk and investment is minimized and the speed of entry can be faster. For this, Exporting directly from China to Finland can be considered.
- **Market size and growth:** The washing machine market size in Finland is not big and the market is going to be mature and the market growth is slower than other European countries. The most important factor is more than 87% of inhabitants have or need washing machines at present or in the future; hence the market demand is still high.
- **Direct and indirect trade barriers:** The previous sales experiences in Europe can show to the Finnish retailers and customers that Haier is an international brand with a European standard level. With this, the trade barriers within in Europe are getting down. On the other hand, the image of "Made in China" could be one of the negative signs for consumers to choose products which increase the trade barriers. Sum up these elements, it seems better to have an indirect export, with less recourses commitment to Finland.
- **Competition intensive:** the competition situation is mature and drastic as this is the same in the most of European countries for both domestic brands and international brands.

- **Relevant intermediaries available:** The local intermediaries for washing machine are comparatively various. From large specific electronics retailer chains, to supermarket and small retailers. Thus medium to high resource involved could be suitable.

### Desired mode characteristics

- **Risk averse:** Haier is neither risk preference nor averse according to the previous behaviours in the international market. Basically the company carries out the risk in medium level.
- **Control:** Haier has a high control power in South European market and the company expects keep the control in the new market expansion as well.
- **Flexibility:** Medium to high flexibility is the ideal situations for Haier obviously.

### Transaction-specific factors

- **Transaction costs factor:** The transaction costs includes ex ante costs (search cost, contracting cost) and ex post costs (monitoring cost, enforcement cost). For Haier, in the short term, the products need to transfer from China to Europe, the transaction costs is obviously high.
- **Tacit nature of know-how:** As a standard product Haier is willing to sell, namely the less tacit component of the firm has, wherefore the priority entry strategy will be export mode.

After detailed analysis above, Haier has two possible directions in entry strategy. As a large international company, Haier would like to have more control and build up good branding in Finnish market, also for the future development to expand whole Northern Europe, a hierarchical model (FDI) should be selected. But in another point of view, according to Finnish washer market size, strong competition, culture and geographical distances, tacit nature of know how and so on, as a non-risk preference firm, the exporting mode with less outsource to foreign market, lower risk is a better option.

If Haier would like to implement the exporting mode, the company needs to invest high transport costs and a higher trade barriers and tariffs add to costs. Also there are many international players have opened their markets in most of EU countries, the competitors have the experiences who can better apply specialized skills on their services and products, this is also Haier has to be aware of.

Analyzed all influencing elements, we find out actually Haier could find a new entry way which combined between hierarchal and exporting mode. Haier can export the products to Finland from China at the beginning, and set up the branch office gradually in the long term plan for local marketing, logistics, sales and services and also build a small warehouse for short-term product storage. Besides that, Haier washing machines will be sold through local distribution

chains, which take the most sales volumes in white goods market, to reduce uncertainty of a new market, avoid high cost and risk.

### **Brand Awareness and product strategy**

As a new brand, it is hard to get much market shares increasing at beginning, Finnish consumers are used to choose the well known brands. Therefore, for the first year, Haier should plan to penetrate brand awareness spread all over the country by various promotion plans in cooperation with the local retailers to make sure to give a great impression of an “insider” in Finnish market.

The customized product figures for Finnish market should be considered:

- Environment friendly
- High energy efficiency level (A+, A, B+, B)
- Wool mark
- Super silent
- Quick wash and water saving
- Dryer function
- detergent-free function (The special character of Haier)

Other figures (according to the survey)

- Average capacity: 6-7 kg
- Average spin speed options: 1200 – 1600 rpm Spin
- Average usage age: 3-9 years
- Average price level: 450 – 650 €

Haier’s primary product – detergent-free washing machine can be the leader promoted product into the Finnish market.

### **Promotion**

According to the market survey, the target group selection has been chosen the group from 26-60 years old Finnish consumers who are in the middle-high class level in the society. This group is enjoying the stable family life with a good income condition. The advertisement brochures, internet, the promotion event in the retailer stores should be the main promotion methods at beginning.

Haier should set up a good cooperation relationship with the local retailers to make great promotion strategies to encourage, attract the consumer’s interests. For example, the special offer, different series of laundry products are on sale with attractive prices and so on. The aim is to establish Haier’s new product image and penetrate brand awareness in the first period.

#### ***B2B promotion***

In order to motivate the retailers, one fact can effect retailers' cooperation with suppliers. Haier should set up a promotion of quantity discount for retailers. For example, if retailer's consumption is over an amount of products, Haier can offer 20 – 30 % off in a certain level. In each half year or the end of year, supplier offers some special bonus for retailers to keep the long term closer cooperation relationship.

## Summary

This thesis is described and analyzed the company's strategic situation in the potential market between the internal foundation (represented by Haier's core competence and competitive advantages) and the external market conditions in which Haier should survive and prosper through developing and maintaining an adequate level of competitiveness. In order for the company to succeed in its future operations, a detailed marketing plan was needed. Due to the company's many years investment experiences in Southern European market and U.S. market, the manager of Haier did not require the specific strategic plans. Thus, on their request, the thesis focuses on the business competitive environment and the current market situation.

The study of Haier's internal analysis gave insights of the company's strengths and threats that the company has to face to. It focused on internal factors that gave the company certain advantages and disadvantages in meeting the needs of Finnish market. The analysis of Haier's strengths was on the market oriented focused because the strengths can assist the company in meeting customer needs. The weakness was given from a consumer perspective because consumers often perceive weaknesses that the company cannot see. (Marketing and its Environment: 44)

The macro environment analysis gave the insights of the company's opportunities and threats that exist in the environment. Although there were many good facts to show that Finland is an attractive country which can be considered the next expansion market, there were many aspects should be paid more attention and Haier needs to know that a certain extent risks could be come up when it launches in. SWOT analysis gave a complete understanding of Haier's circumstance situation.

According to the survey analysis, we can see that Finland is a mature growing potential market but slowly. In terms of consumers, their income is stable increasing and living in a high standard of life.

Competition was the key driver and competitive-oriented foreign market entry was the major motive of Haier's internationalization strategy to compete with world giants. Compared with the other international companies such as Electrolux, Miele, Haier's economic strength was less than those international players on the areas of market investment. Furthermore, the new entry barriers for Haier were quite high because of the drastic competition and the high buying power when consumers have many choices in the market. In a way, the selling power of every competitor was declining. Haier has to find the survival strategies for the long term business plan for Finland.

In order to spread Haier's brand awareness, the promotion cost will be paid a lot in Finland, due to the labor cost and the price level is higher in Northern Europe than the other European countries. Although many customers do not care the brand very much, some customers do have the brand loyalty or the good impression of the famous brands or products. It is going to be big investment for Haier to start costly promotions in Finland, but it could catch lots of customers with the recommended product characteristics.

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## Appendix 1: The original questionnaire

There are 200 of questionnaires were send out to the end-users market, and 141 of questionnaires were completed and valid.

- **Your gender is**

- a. Female    b. Male

- **You age is**

- a. below 18 years old
- b. 19-25 years old
- c. 26-30 years old
- d. 31-40 years old
- e. 41-50 years old
- f. 51-60 years old
- g. over 60 years old

- **Your income range is**

- a. under 1000 €/month
- b. 1000-2000 €/month
- c. 2000-3000 €/month
- d. 2000-3000 €/month
- e. 3000-4000 €/month
- f. over 4000 €/month

- **Please answer the questions about washing machines**

- **The washer you have at home is:**

	<b>I don't have</b>	<b>Electrolux</b>	<b>AEG</b>	<b>Rosenlew</b>	<b>Miele</b>	<b>LG</b>	<b>Haier</b>	<b>Ahma</b>	<b>Zanussi</b>
Single choice									
	<b>Whirlpool</b>	<b>Candy</b>	<b>UPO</b>	<b>Hotpoint</b>	<b>BOSCH</b>	<b>Siemens</b>	<b>Asko</b>	<b>Other</b>	<b>Response Count</b>
Single choice									

- **The washer you want to have in the future:**

	<b>I don't want to have it</b>	<b>Electrolux</b>	<b>AEG</b>	<b>Rosenlew</b>	<b>Miele</b>	<b>LG</b>	<b>Haier</b>	<b>Ahma</b>	<b>Zanussi</b>
Single choice									
	<b>Whirlpool</b>	<b>Candy</b>	<b>UPO</b>	<b>Hotpoint</b>	<b>BOSCH</b>	<b>Siemens</b>	<b>Asko</b>	<b>Other</b>	<b>Response Count</b>
Single choice									

- **Do you care the brand name?**

- a. Yes, I do.
- b. No, I don't care

o **The capacity of washer (kg)**

	<b>Less than 6</b>	<b>6 - 7</b>	<b>7 - 8</b>	<b>More than 8</b>	<b>Whatever</b>	<b>Response count</b>
Single choice						

o **Spin speed options**

	<b>1200 rpm Spin</b>	<b>1400</b>	<b>1200 - 600</b>	<b>1600</b>	<b>1800</b>	<b>Whatever</b>	<b>What is that?</b>	<b>Response Count</b>
Single choice								

▪ **Which type of laundry products do you want to have at present or in the future?**

- no, I don't have any plan to buy any laundry machines
- washing machine
- dryer machine
- both of them
- washer dryer

▪ **If you have had a washing machine at home, how long do you think you would buy a new one?**

- less than 3 years
- 3 – 9 years
- 9 – 15 years
- as long as possible

▪ **The price level of washing machine which you can accept is**

- Under 400 €
- 400 – 500 €
- 500 – 600 €
- 600 – 700 €
- More than 700 €

▪ **How important of these figures when you choose a washing machine (or dryer or washer dryer)**

	<b>Not important</b>	<b>OK</b>	<b>Important</b>	<b>Very important</b>	<b>Rating Average</b>	<b>Response Count</b>
Brand						
Durability						
Functions						
Quality						
Nice appearance						
Price						
Lower energy and water consumption						
Silent level						
Other (please specify)						

- **Where do you usually get to know the information when you are going to buy the laundry products?**
  - a. Post advertisement and brochures from relevant shops
  - b. Internet
  - c. TV or radio
  - d. Newspaper
  - e. Magazine
  - f. Friends or family's suggestions
  - g. Go directly to the shop or call the shop for information
  
- **Where do you prefer to buy the household electronic appliances?**
  - a. Gigantti
  - b. Markantalo
  - c. Musta Pörssi
  - d. Veikon Kone
  - e. Tekniset
  - f. Expert
  - g. Online shops
  - h. Supermarket

## Appendix 2: The result of survey of end-user market

<ul style="list-style-type: none"> <li>▪ <b>Your gender is</b></li> </ul>		<b>Response percent</b>
a. Female		<b>46.7%</b>
b. Male		<b>53.3%</b>
	<b>Answered question</b>	<b>100%</b>
<ul style="list-style-type: none"> <li>▪ <b>You age is</b></li> </ul>		
a. below 18 years old		<b>0.0%</b>
b. 19-25 years old		<b>23.3%</b>
c. 26-30 years old		<b>16.7%</b>
d. 31-40 years old		<b>23.3%</b>
e. 41-50 years old		<b>18.3%</b>
f. 51-60 years old		<b>15.0%</b>
g. over 60 years old		<b>3.3%</b>
	<b>Answered question</b>	<b>100%</b>
<ul style="list-style-type: none"> <li>▪ <b>Your income range is</b></li> </ul>		
a. under 1000 €/month		<b>16.7%</b>
b. 1000-2000 €/month		<b>25.0%</b>
c. 2000-3000 €/month		<b>23.3%</b>
d. 3000-4000 €/month		<b>18.3%</b>
e. over 4000 €/month		<b>16.7%</b>
	<b>Answered question</b>	<b>100%</b>

- **Please answer the questions about washing machines**

- **The washer you have at home is:**

	<b>I don't have</b>	<b>Electrolux</b>	<b>AEG</b>	<b>Rosenlew</b>	<b>Miele</b>	<b>LG</b>	<b>Haier</b>	<b>Ahma</b>	<b>Zanussi</b>
Single choice	<b>10.3 %</b>	<b>12.1 %</b>	<b>10.3 %</b>	<b>6.9 %</b>	<b>3.4 %</b>	<b>6.9 %</b>	<b>0.0 %</b>	<b>0.0 %</b>	<b>3.4 %</b>
	<b>Whirlpool</b>	<b>Candy</b>	<b>UPO</b>	<b>Hotpoint</b>	<b>BOSCH</b>	<b>Siemens</b>	<b>Asko</b>	<b>Other</b>	<b>Answered question</b>
Single choice	<b>8.6%</b>	<b>3.4 %</b>	<b>13.8 %</b>	<b>0.0 %</b>	<b>0.0 %</b>	<b>8.6 %</b>	<b>0.0 %</b>	<b>12.1 %</b>	<b>96 %</b>

- **The washer you want to have in the future:**

	<b>I don't want to have it</b>	<b>Electrolux</b>	<b>AEG</b>	<b>Rosenlew</b>	<b>Miele</b>	<b>LG</b>	<b>Haier</b>	<b>Ahma</b>	<b>Zanussi</b>
Single choice	<b>13.7 %</b>	<b>13.7 %</b>	<b>5.9 %</b>	<b>3.9 %</b>	<b>13.7 %</b>	<b>9.8 %</b>	<b>0.0 %</b>	<b>0.0 %</b>	<b>2.0 %</b>
	<b>Whirlpool</b>	<b>Candy</b>	<b>UPO</b>	<b>Hotpoint</b>	<b>BOSCH</b>	<b>Siemens</b>	<b>Asko</b>	<b>Other</b>	<b>Answered question</b>
Single choice	<b>15.7 %</b>	<b>0.0 %</b>	<b>11.8 %</b>	<b>0.0 %</b>	<b>2.0 %</b>	<b>7.8 %</b>	<b>0.0 %</b>	<b>0.0 %</b>	<b>85 %</b>

- **Do you care the brand name?**

a. Yes, I do.		<b>49.2 %</b>
b. No, I don't care		<b>50.8%</b>
	<b>Answered question</b>	<b>98 %</b>

○ **The capacity of washer (kg)**

	<b>Less than 6</b>	<b>6 - 7</b>	<b>7 - 8</b>	<b>More than 8</b>	<b>Whatever</b>	<b>Answered question</b>
Single choice	<b>32.8 %</b>	<b>32.8 %</b>	<b>20.7 %</b>	<b>5.2 %</b>	<b>8.6 %</b>	<b>96 %</b>

○ **Spin speed options**

	<b>1200 rpm Spin</b>	<b>1400</b>	<b>1200 - 600</b>	<b>1600</b>	<b>1800</b>	<b>Whatever</b>	<b>What is that?</b>	<b>Answered question</b>
Single choice	<b>18.2 %</b>	<b>14.5 %</b>	<b>21.8 %</b>	<b>12.7 %</b>	<b>10.9 %</b>	<b>14.5 %</b>	<b>7.3 %</b>	<b>92 %</b>

▪ **Which type of laundry products do you want to have at present or in the future?**

a. no, I don't have any plan to buy any laundry machines	<b>41.7 %</b>
b. washing machine	<b>31.7 %</b>
c. dryer machine	<b>1.7 %</b>
d. Both of them	<b>18.3 %</b>
e. washer dryer	<b>6.7 %</b>
<b>Answered question</b>	<b>100 %</b>

**Other specify:** "or both of them but combine machine would save some spaces"

▪ **If you have had a washing machine at home, how long do you think you would buy a new one?**

a. less than 3 years	<b>14.3 %</b>
b. 3 – 9 years	<b>39.3 %</b>
c. 9 – 15 years	<b>16.1 %</b>
d. as long as possible	<b>30.4 %</b>
<b>Answered question</b>	<b>93 %</b>

▪ **The price level of washing machine which you can accept is**

a. Under 400 €	<b>21.4 %</b>
b. 400 – 500 €	<b>32.1 %</b>
c. 500 – 600 €	<b>33.9 %</b>
d. 600 – 700 €	<b>10.7 %</b>
e. More than 700 €	<b>1.8 %</b>
<b>Answered question</b>	<b>93 %</b>

**Other specify:** "400 – 600 €"

"The combine machine can cost more"

"I would have to look into this subject before deciding my budget"