

Analysis of the Economics Behind Gree-style Survival

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ABSTRACT

Gree is one of the well-known household appliance companies in China, which has now entered the era of diversification. Under the leadership of Dong Mingzhu, Gree Electric is ready to cover every aspect from home to travel. The development of the diversification of Gree Electric also means that it needs to achieve a comprehensive reconstruction of the company's culture, organizational structure, management capabilities and other aspects, which will take some time. Through literature research and case analysis, this paper makes an in-depth analysis of Gree's diversified development process, and tries to explore the economic significance of Gree's survival mode and development way provide a reference for the development of other industries in China. The author found that the influence of diversified development strategy on Gree is relatively positive

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1. INTRODUCTION

Gree Electric Appliances, inc. of Zhuhai is an international home appliance enterprises, mainly engaged in the research and development, production, sales and service of home appliance, now has brand is Gree, TOSOT, jing hong, is the main type of household air-conditioning, central air-conditioning, household Appliances, mobile phones, air to water heaters and other products. The company is headquartered in Zhuhai, with 10 production bases, 5 renewable resource bases and 6 subsidiaries around the world. Gree has more than 60,000 employees and has established a complete industrial chain. The upstream parts production includes downstream waste recycling products.

Gree Electric's brilliance is inseparable from its dedicated business strategy in the field of air conditioners. Gree has long focused on the research and development, production, sales and service of air conditioning products, including household air conditioners and central air conditioners, and has become a leader in the global air conditioner industry. However, with the intensification of market competition, Gree began its diversified expansion and development in the face of increasingly shrinking market opportunities and meager profit in the air conditioner industry. On July 23, 2016, Dong Mingzhu officially announced that Gree had entered the "Diversification Era" at the 2nd Made in China Summit Forum--Made the World Love Products Made in China •

Independent Innovation, which was directed by the Ministry of Science and Technology.[1]In fact, as early as September 2004, Gree acquired Landa Compressor, Xinyuan Electronics, Gree Electric, small household appliances and other subsidiaries of the group, further strengthening and improving the supporting industrial chain, which means that Gree's diversification strategy has been launched. Through literature research and case analysis, the auther deeply analyzed the development process of Gree's diversification, studied and analyzed some practices of Gree's diversification process, and tried to explore the economic significance of Gree's survival mode and development path, so as to provide a reference for the development of other industries in China.

2. DIVERSIFICATION PROCESS OF GREE ELECTRIC

Gree electric appliances for a long period time the implementation of highly specialized, mainly engaged in air-conditioning products research and development and sales, the diversified development of short, although in 2004, gree has expanded its business scope, the intentions of its diversity has not been clear, puts forward the strategy of diversifying clear until nearly two years.[2]

2.1 Professionalism

Professional stage Gree electric appliances from 1996 began to take the path of specialization, and continuous focus on air conditioning production and sales for many years, keep improving, continuous innovation, strive to create more high-end, professional, belongs to the Gree brand of high quality air conditioning.

Gree high degree of specialization is effective, and its air conditioning sales for many years the world's leading, and laid a solid foundation for the development of gree later.

2.2 Related diversification

For the household appliance industry, Gree has been persistently pursuing and continuously carrying out related diversification in the household appliance industry, and the main performance is as follows.

First of all, the diversification of the air conditioning products themselves.

Gree has many products such as wall-hanging air conditioners, cabinet air conditioners, split-type air conditioners, window air conditioners, central air conditioners, and multi-split air conditioners, etc. It has formed 11 series of brands such as Green Home, Green Garden, Cool Summer, and Prince of Energy Saving, etc. with different appearances and decorations and different functions for consumers to choose. And it has further deepened in technology and started to move toward inverter air conditioners, and energy-saving environmental protection air conditioners, etc. On December 12, 2016, the base in Hangzhou was opened, which is the 11th largest production base built by Gree Electric in the world, mainly producing air conditioning splitters, multi-split internal units, window air conditioners and dehumidifiers, etc. It is expected to have an annual production capacity of more than 5 million units and an annual value of production of around RMB 10 billion after it is completed and put into operation.[3]

2.2.1 Entering the small household appliance industry

In 2004, GREE acquired 75% equity interest in Zhuhai GREE small household appliances and entered the small household appliance market In 2015, GREE launched a series of small household appliances such as Dasong rice cooker, electric kettle, electric fan, air-source heat pump heater, dehumidifier, air purifier, electric pressure cooker and clothes dryer, etc. Through advertising bombardment and media images, the small household appliances manufactured by Gree have gained a certain market and become the new favorite among small household appliances.

2.2.2 Entering the refrigerator industry.

In 2012, Kinghome refrigerator made a high profile announcement to enter the 20,000 stores of Gree air conditioners nationwide, stepping into the refrigerator industry, which was already fiercely competitive. In September 2015, the Kinghome refrigerator was advertised on CCTV with Dong Mingzhu as the spokesperson, which was a sensation in the industry and made the old refrigerator companies such as Frestech, Rongshen and Midea nervous.

2.2.3 Enter the smart home industry.

As early as the Shanghai Home Expo in 2015, GREE launched the intelligent environmental protection home system, and the main intelligent products on display are intelligent multi-split air conditioners, photovoltaic air conditioners, smart new fans, intelligent curtains, intelligent lamps and so on. GREE intelligent environmental protection home system has an energy management module, which realizes the interconnection of human, machine and environment, remote control, supervises the home electricity consumption automatically, and provides users with the best home electricity saving reference program regularly to realize a customized home environment.[4]

2.3 Vertical Chain Diversification

Based on its core technologies and self-developed centrifuges and compressors in air conditioning, Gree Electric has established and developed subsidiaries such as Landa Compressor, Gree Electric, Kaibang electrical machinery and Xinyuan Electronics, etc. Through continuous technological deepening and expansion, Gree has entered the intelligent equipment and intelligent manufacturing industry. From "Good air conditioners are made by Gree" to "making the world fall in love with products made in China", Gree has developed from a professional air conditioner enterprise to a specialized multi-category integrated manufacturing enterprise, with products covering precision manufacturing, numerical control machine tools, high-end molds, industrial robots, and automatic production lines, thus realizing the diversified development of products.[5]

In December 2011, the world's first high efficiency dc inverter centrifugal unit is offline gree electric appliances, identified as "international leading."

In December 2013, the gree photovoltaic direct driving frequency centrifuge system identified as "global initiative, the international leading", implements the central air conditioning energy self-sufficient, without electricity, ushering in an unprecedented period of zero energy consumption of central air conditioning.

In June 2015, Gree photovoltaic direct driving frequency centrifuge the winning university of Tehran, Iran air conditioning project, Gree permanent magnet synchronous frequency conversion centrifugal unit successfully won the bid project in the great hall of the people show that different functions of the centrifuge have been out of fission air conditioning products chain, to market alone.

On June 1, 2016, Changsha Gree open phase II project, large central air conditioning and intelligent equipment projects, the future will produce large centrifugal units, screw machine, intelligent robot, high-end CNC machine tools is given priority to, investment is expected to exceed 3 billion yuan, can realize the output value of over one hundred million yuan.

On August 22, 2015, the first of the Pearl River West Bank Investment & Trade Symposium on advanced equipment manufacturing, Gree electric appliances on independent research and development of industrial robots for the first time.

On March 2, 2016, Gree intelligent equipment industrial park officially opened in Austin Wu Hancui Economic Development Zone, the base is mainly engaged in industrial robots, intelligent automation equipment, high-end CNC machine tools, precision molds, and other products of research and development, production and sales.[6]

In September 2016, Gree electric appliances "robot engineering technology research and development center" approved for Zhuhai first robot industry has built from basic research to the industrialization of science and technology innovation platform, will form a first-class domestic robot industry robot is the key technology research and development and product experimental base.

Gree has independent research and development of nearly 100 kinds of automation products, covering the industrial robot, intelligent AGV, injection manipulator, a large body more than 10 fields such as automation line, has more than 20 design patent.

In 2016, Gree electric appliances with CIMC Group reached a strategic cooperation agreement, based on the complementary advantages of both sides, which will be in the boarding bridge, modular architecture, Marine engineering and intelligent manufacturing and other fields.

2.4 Unrelated diversification

2.4.1 Entering the cell phone production industry.

GREE Electric transformed into cell phone production line based on the old production line of

GREE, developed and launched GREE cell phone in 2015 in high profile, "attacked" MIUI several times, and had ambitions to occupy the top three in the domestic cell phone market. In November 2016, the second-generation GREE cell phone was reappeared on the network, which became a hot topic on the network every time. Dong Mingzhu has said that the second generation of GREE cell phones would be the best cell phone in the world and become a world-class product.

2.4.2 Entering the new energy vehicle industry

In 2016, Gree Electric aimed to acquire Zhuhai Yinlong New Energy Automobile Company (hereinafter referred to as Zhuhai Yinlong) to enter the new energy vehicle industry. Although the acquisition failed, in 2017, Gree intended to sign a cooperation agreement with Zhuhai Yinlong again to cooperate in the fields of intelligent equipment, moulds, casting, automotive air conditioning, electrical machinery and electric control, new energy vehicles and energy storage in order to step into the new energy vehicle industry chain and create a new industrial growth point. Gree Electric is not the first household appliance company to venture into the automobile industry. Chunlan acquired the heavy truck special vehicle company under Dongfeng Motor Group in 1997. AUX acquired Shenyang Shuangma Light Vehicle Company in 2003. Midea acquired Yunnan Passenger Car Manufactory in 2004.[7] However, all these attempts to build cars failed. Gree Electric's involvement in the automotive through the acquisition was not very promising in the industry.

Gree Electric intends to enter the financial field. While expanding in the field of household appliances, Gree Electric has also ventured into the financial field. In July 2003, Gree Group Finance Company formally operated and set up a complete department system including credit department and financial investment department, providing financial management and financial services for the members of Gree Group with the concept of "tanking foot in the industry and serving the industry". And it has already taken steps in financial investment. It has begun to buy and sell futures and invest in financial products, which has shown that Gree Electric has invested in the capital market. Subsequently, Gree Electric used Gree Group Finance Company as a platform to cooperate with Zhuhai Hengqin Village Bank and other banks to carry out financial transactions.

3. GREE'S NEW DEVELOPMENT

The diversification strategy led by Dong Mingzhu has not only made a brand new layout in business, but also objectively brought new opportunities to the management of the company. For the management of Gree Electric, Gree Electric's involvement in the fields

of small household appliances, cell phones and new energy vehicles at the same time is likely to bring new opportunities. Adhering to take independent innovation as the central task, Gree Electric claimed that it develops new products through independent research and development in the field of cell phones and small household appliances, rather than through acquisition or introduction of external talents, which creates more opportunities for Gree Electric's management to be responsible for new business. And before that, due to the single business, the ceiling of the promotion of Gree Electric's management is already clearly visible, because after all, there is only one general manager. Obviously, the new diversified pattern opens up space for the development of the management. Dong Mingzhu, who is actively promoting the diversification of Gree Electric, is unlikely to have the will to hand over the company in a short time. In May this year, Dong Mingzhu said in an interview that she wanted to achieve the goal of 200 billion before retirement, and would not retire in three years. And now there are less than two years from the expiration of the current board of directors, which means that Dong Mingzhu will continue to lead Gree Electric in the next board of directors.[8] More importantly, with the comprehensive diversification of Gree Electric, Gree Electric will face a comprehensive transformation. From the above point of view, Gree from offline to online, this is the industry inventory competition must go to the road. But the pie that has shaped Gree's distribution network for decades is about to be split online. The days when Gree dealers used to sit and collect money are long gone, and the huge dealer team has become a burden in the transformation. In the transformation of the road, gree encountered resistance, from the dealer dissent is quite big. On the other hand, The air conditioning business of Gree Electric Appliances accounts for nearly 70%, and the second largest business of Gree Electric Appliances is still exploring. In recent years, Gree's diversification approach has failed. Dong Mingzhu wants to make mobile phones, chips and Zhuhai Yinlong new energy vehicles, but it is not smooth, which shows that Dong Mingzhu is not clear about the strategic perspective of the company. According to the above research, it is suggested that Gree should continue to promote vertical integration strategy in the future diversified

development path, moderately strengthen diversified strategy and rationally treat irrelevant diversification. Countermeasures such as continuous innovation and strengthening differentiation strategy.

4. CONCLUSION

The diversification strategy led by Dong Mingzhu, which also ventures into small household appliances, cell phones, new energy vehicles and other fields, is likely to bring new opportunities. Insist on independent

innovation as the core of Gree Electric. GREE, which insists on taking independent innovation as the main task, claims to develop new products in the fields of cell phones and small household appliances through independent research and development, rather than through the acquisition or introduction of external talents. It gives more opportunities for the management of GREE to take charge of new business and opens up space for the development of management. In general, the diversified development strategy has more obviously positive effects for Gree, and it can also provide a reference for other industries. In the future diversified development path, we should also take some countermeasures, such as continuing to promote vertical integration strategy, moderately strengthening diversified strategy, rationally treating irrelevant diversification, continuously innovating and strengthening differentiated strategy.

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