



# Study on International Marketing Strategy for Gree Air Conditioning in Africa

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**Abstract.** With the continuous improvement of high-quality development requirements in the new era, there is a triple pressure in the domestic market: supply shock, demand contraction and weakening expectations. The competition in the domestic market is becoming increasingly compact, and the pace of the "Red Sea" competition in the internal market has gradually accelerated to open up the emerging "blue ocean" market. Under the policy background of "One Belt and One Road", China has signed a series of international trade treaties with Africa, and Chinese major enterprises continue to enter the African market. Through quantitative confirmatory factor analysis and qualitative SWOT matrix analysis, this paper finally summarizes the international marketing optimization strategy of Gree Air conditioning in the African market.

**Keywords:** African market; International marketing; SWOT matrix analysis; Confirmatory factor analysis;

## 1 Introduction

In the post-COVID-19 era, global consumption declines, the demand for production and raw materials decreases[1], and at the same time, the US dollar rises and flows back, leading to monetary tightening and sharp decline in investment in various countries. Africa is dominated by resource-exporting countries and lacks industrial base and construction capacity, which undoubtedly worsens the economy of various African countries. Have directly or indirectly led to the stagnation of Gree air conditioning sales in Africa, resulting in Gree air conditioning in Africa "difficult to sell" situation. Based on the above background, this paper makes a brief analysis of the current situation of the African market, and obtains the corresponding marketing strategy through the SWOT matrix method.

## **2 SWOT analysis of Gree air conditioning under competitive environment**

### **2.1 Analysis of Strengths**

First of all, national policies play an important role in foreign trade. China-africa relations have been developing amicably. China has put forward the strategy of building a China-Africa community with a shared future and supports trade with Africa[2]. African countries have also introduced favorable policies to facilitate Chinese air conditioners and other products to enter the African market. At the same time, Gree enterprises deeply ploughed into the African market, followed the national policies, and participated in the "Belt and Road" demonstration projects, which improved Gree's market visibility and reputation in Africa, and made African people more trust Gree products and services.

Secondly, Gree, as the world's largest air conditioning manufacturer, has strong profitability, abundant capital as a guarantee, and the ability to carry out technological innovation to constantly improve product quality and reputation. For example, Gree launched a photovoltaic air conditioner in 2019, which can generate photovoltaic power while using air conditioning, greatly solving the power problem. All these are good for Gree to win the African market.

Finally, talents play an important role in the sustainable development of enterprises[3]. Gree pays attention to the cultivation of talents, always puts the construction of talents in the first place, and has formed a set of talent training system of "selection, education, use and retention" in long-term practice, which provides a platform for employees to show their talents and good welfare. In the development of the African market, Gree carried out skills training for practitioners related to air conditioning, actively cultivated local talents in Africa, and created job opportunities for participants. It not only fulfills the responsibility of Chinese enterprises in overseas, but also solves the problem of recruiting overseas workers and having no jobs. In Nigeria, if you buy Gree air conditioning will be greatly praised. This has cultivated a loyal user base for Gree.

### **2.2 Analysis of Weaknesses**

Weaknesses: Gree has no production base in Africa, so the products are shipped to Africa after production, which leads to the increase of air conditioning cost and the lack of price competitive advantage of Gree.

In Africa, Gree mainly relies on dealers for product sales, and lacks professional sales personnel and marketing management personnel. Therefore, Gree cannot grasp the information of the African market at any time, and there is information asymmetry, resulting in lagging decision-making.

The product structure needs to be improved. In the African market, Gree's household air conditioners account for a high proportion, and commercial air conditioners are mainly used in some China-Africa cooperation projects won by Gree, so the product structure is unreasonable.

### 2.3 Analysis of Opportunities

China put forward the Belt and Road Initiative in 2013. Africa is the main direction and focus of China's Belt and Road Initiative. Different from the previous aid-based approach of China-Africa cooperation, the Belt and Road Initiative is a multilateral regional economic and trade cooperation mechanism proposed and advocated by China. In this context, the favorable policy is conducive to Gree's export of air conditioners to Africa and further open the African market.

At present, Africa's economy is growing steadily, people's living standards are improving, and the lack of local air conditioning brands, air conditioning penetration rate is as low as 1%, the future demand is expected to continue to grow, it can be seen that the

African market can develop huge space. African consumers have few additional requirements for air conditioners and low bargaining power. Gree can effectively develop the African market as long as it ensures stable product quality and good after-sales service.

### 2.4 Threat analysis

The number of air conditioning brands entering Africa is increasing, and the market competition is fierce. Gree is also facing a challenge from Japanese air conditioning brands, which have launched "pay-per-view" services based on mobile payment systems to counter their Chinese counterparts. Low-cost or free services are more attractive to African consumers.

Africa's backward development, imperfect infrastructure and poor power base hinder the expansion of the air conditioning market.

In recent years, China's trade surplus with Africa has been increasing, and there is a certain trade friction between China and Africa, and there is an expanding trend, which has a certain impact on air conditioning exports.

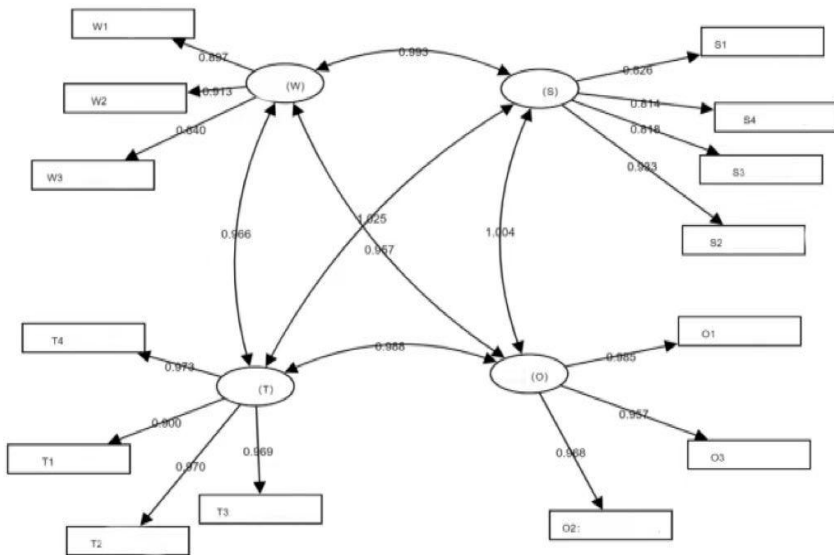
Affected by the novel coronavirus epidemic, the global economy is sluggish, and the US dollar has raised interest rates, increasing the risk of international trade.

## 3 Confirmatory factor analysis

According to Table 1, this study demonstrates : 14 measurement items : S1: the world's largest air conditioning manufacturing enterprise, S2: strong innovation ability, S3: high popularity, S4: talent advantage, W1: high air conditioning cost, W2: lagging decision-making, W3: unreasonable product structure, O1: "One Belt and One Road", favorable policies, O2: African economy steadily rising, O3: fewer additional requirements, T1: more competing products, T2: Poor power base, T3: increasing trade frictions between China and Africa, T4: US dollar interest rate hike.

**Table 1.** Table of factor load coefficients<sup>1</sup>

| Factor load coefficient |                   |         |              |        |       |                 |
|-------------------------|-------------------|---------|--------------|--------|-------|-----------------|
| Factor                  | Measurement items | (Coef.) | (Std. Error) | z (CR) | p     | (Std. Estimate) |
| (S)                     | S1                | 1.000   | -            | -      | -     | 0.826           |
| (S)                     | S4                | 1.100   | 0.162        | 6.799  | 0.000 | 0.814           |
| (S)                     | S3                | 1.054   | 0.154        | 6.856  | 0.000 | 0.818           |
| (S)                     | S2                | 1.186   | 0.139        | 8.547  | 0.000 | 0.933           |
| (W)                     | W1                | 1.000   | -            | -      | -     | 0.897           |
| (W)                     | W2                | 1.143   | 0.120        | 9.554  | 0.000 | 0.913           |
| (W)                     | W3                | 1.040   | 0.132        | 7.858  | 0.000 | 0.840           |
| (O)                     | O1                | 1.000   | -            | -      | -     | 0.985           |
| (O)                     | O3                | 0.961   | 0.052        | 18.544 | 0.000 | 0.957           |
| (O)                     | O2                | 0.962   | 0.047        | 20.622 | 0.000 | 0.968           |
| (T)                     | T1                | 1.000   | -            | -      | -     | 0.900           |
| (T)                     | T4                | 1.058   | 0.087        | 12.111 | 0.000 | 0.973           |
| (T)                     | T3                | 1.097   | 0.092        | 11.893 | 0.000 | 0.969           |
| (T)                     | T2                | 1.095   | 0.092        | 11.937 | 0.000 | 0.970           |



**Fig. 1.** Weighted model fitting result graph

According to the Table 1 and the Fig.1 model fitting results graph, the P-value of each measurement item is less than 0.001, showing a significant measurement relationship.

The standard load coefficient (Std. Estimate) between the latent variable and the explicit variable in the measurement is greater than 0.7, indicating that there is a strong correlation between the latent variable and the explicit variable. Therefore, the SWOT analysis above is valid.

## **4 Put forward development suggestions based on SWOT analysis**

### **4.1 The State encourages and advocates innovation**

"Science and technology are the primary productive forces"[4]. Only by enhancing innovation capacity and mastering core technologies can we effectively cope with the problem of expanding trade surplus with Africa and reduce trade frictions between China and Africa. At the same time, it will enable Chinese enterprises to strengthen technological innovation and enhance the international competitiveness of their products.

### **4.2 Unswervingly advance China-Africa cooperation**

In the face of profound changes unseen in a century and ever-emerging challenges, China and African countries must remain committed to advancing China-Africa cooperation in the spirit of friendship, equality, mutual benefit and win-win results[5]. Through economic and trade cooperation and technological exchanges, China and Africa will help African countries achieve better development, narrow the North-South gap and build an even closer China-Africa community with a shared future in the new era.

### **4.3 Product localization development**

African climate conditions are unique, Gree enterprises should pay more attention to the configuration of air conditioning parts. Pay attention to the selection of high temperature resistance, corrosion resistance and strong water resistance parts, improve product quality[6], so that Gree air conditioning has enough ability to cope with African climate conditions. In appearance, Gree should take into account the unique aesthetic of African consumers, combine local cultural customs and living habits, integrate African elements, make it with African characteristics, so as to attract more consumers to buy Gree air conditioners.

## 5 Conclusions

According to the above analysis, the following conclusions can be drawn: First, Gree has obvious innovation advantages and many core technologies, which are not easy to be suppressed by technology; Second, Gree air conditioning has a good sales reputation and corporate influence in Africa; Third, there are both opportunities and challenges for Gree to open the air conditioning market in Africa. Gree must dare to meet the challenges and be good at seizing the opportunities, so as to stand more stable, go deeper and go further in the fierce competition in the African market.

The African market contains huge commercial potential. In the future, Gree will not only stabilize the mainstream markets in Europe and Asia, but also focus on the development and expansion of business opportunities on the African continent. Gree could set up local manufacturing facilities in Africa, both to address geographical disadvantages, but also a good reduction in labor costs. At the same time, between the friendly relations between China and Africa, the local people of Africa are willing to work in factories opened by China. Not only would it provide jobs for Africans, but it would also save companies money and give them more money to develop air-conditioners. Gree wants to train innovative technical personnel in manufacturing to exploit potential markets in Africa, taking advantage of quality, price and performance. At the same time, we should actively respond to state policies and seize the “Belt and Road” opportunity to expand scale and accelerate development.

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