

Modularization and the High Return on Equity of Haier

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ABSTRACT

Today, diversification of products and cost advantage became more important, because of diversified needs of consumers. In addition, technology innovation is faster, the life cycle of product also tends to be short in many industries. It has become an important issue to catch the needs of the product market quickly, aim to improve the flexibility of products, and to reduce the cost in the background of globalization. Consequently, the efficiency and profit margins of invested capital came to be emphasized.

In order to solve these issues, enterprises outsourced some production processes to external companies, and adopted a production method that made it possible to realize the diversification of products and the efficiency production at the same time. Modularization became the basis of this production method. In this situation, Haier's white goods sales share became the first in the world in 2010 by brands. And, Haier is high compared with other Chinese comprehensive consumer electronics manufacturers when we read the ROE (Return on Equity), a profitability indicator of enterprises.

Prior research usually discusses the success of Haier from its own management philosophy, management methods, brand strategy, personnel system based on market principle, and organizational structure. In any study, point of view is based on the expansion of the market share and the improvement of brand awareness. However, in the consumer electronics industry that profitability has declined, these studies did not capture the features and factors of growth of Haier.

This paper analyzes effectiveness and financial results of the module strategy by Haier and discusses modularization for sustained development by comparing with Panasonic, TCL Corporation and Gree Electric Appliances.