

## **The Innovation Management Research Based on Brand Strategy of Haier Group**

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**Abstract:** *In recent years, innovation has become the protagonist to economic and social development. In the fight against financial crisis, those enterprises who have innovation and management vitalities show their unique strong advantages as to resist risks, innovation management gradually becomes the central issue of management in academic community and industry community. Based on brand strategy in different period of Haier Group, this paper pointed out its innovation points and positive role in enterprise development.*

**Keywords:** *Innovation Management; Haier Group;*

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### **1. INNOVATION MANAGEMENT REVIEW**

Innovation is the source for enterprise survival and development, advanced innovation management is the key to enterprise sustainable development. In his article of "Enterprise Innovation Management Process", Chuanzhou Gong (2001) pointed out : "the enterprise innovation management refers to innovation activities in enterprises management, can also be considered as a series of organic activities such as planning, motivating, implementing and controlling in the purpose of making innovation success ". Subsequently, management scientists set off an upsurge research on innovation management. On the basis of generalizing predecessors' researches, Jungong Bai et al. (2009) made a definition for innovation management: Innovation management is a process for organizations to establish a platform (formation mechanism of coordination and innovation) to support innovation, to realize the value of people and increase social welfare. The latest research of Daobiao Zou et al. (2013), suggest that companies usually use several management tools in innovation management:

1. Kano Model-A professor at Tokyo University of Science and Technology proposed the Model in 1979, mainly based on classification of customer satisfaction degree about product design. According to consumer's satisfaction degree, the product designs are divided into three types : excited type, expectation type and basic type. Haier Group makes a balance of needs between different client groups, meets clients' maximum demand.

2. Smiling Curve- The smiling Curve was putted forward by Acer founder in 1992, he thinks an industrial chain is just like a smile Curve. High value-added parts are the research development and sales department, they located on the two flanks of the Curve, while in the middle of the smile Curve is low value-added production. Haier Group always takes the brand and sales management in an extremely important position at each stage.

3. The Quality Function Deployment (QFD)-The QFD originated in Japan in about 1960s, which is a well known client oriented product development method, it is widely used in manufacturing and services industry, with the purpose of pursuing high customer satisfaction degree.

Based on this three kinds of innovation management tools, we seek an abundance of information about Haier Group's brand management, find that the brand strategy is a classic case for QFD tool, at the same time, the transformation of Haier Group according with Kumpe and Bolwijn's analysis as to the principle of the enterprise transformation, from the earliest efficiency type enterprise,

transform to the flexibility enterprises, and now gradually towards to innovative companies (Figure 1).

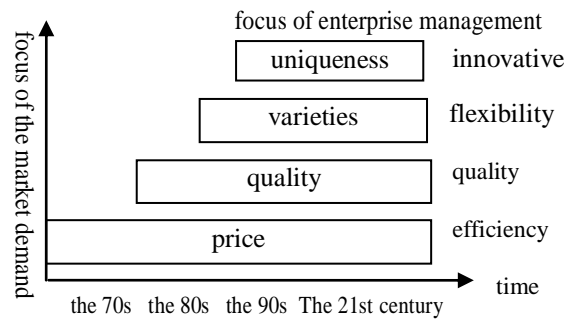


Figure 1. enterprise development pattern evolution

(Source: Kumpe&Bolwijn. Toward the innovative firm-challenge for R&D management [J]. Research Technology Management, 1994, Jan:33~440)

## 2. HAIER MARKETING INNOVATION

Haier people pursue conception as "change is normal, and constant is not normal". From 1998 to 2005, Haier has experienced process reengineering about 47 times, and in 2005, Haier putted forward the new slogan of "employees and the orders together", "fastest", and "zero inventory, zero overdue, zero distance", in the purpose of making Haier Group into the world-class brand.

### A. Marketing platform construction of Haier Group: business flow into headquarters

In February 1998, Haier Group founded its marketing center, at the same time set up its branches in different places. Such as in Beijing founded marketing center office, which was responsible for the coordination and integration of all products and provide information for managers to do business decisions (see Figure 2). Different sales companies were independent in operation system, they can not share necessary information between each other. Products sales and after-sales service were responsible by different product division, the marketing center of Haier Group just played a role of supervision and coordination of products, which made Haier Group pass the information of "miscellaneous" and "disunity" to customers, it was not conducive to Haier's branding construction. In order to solve the problem, Haier Group implemented its new policy which demanded to establish a channel to make sales flow into headquarters. The new policy started in September of 1999, at the same time, in order to improve sales quantity for Haier Group's products, they built up a unified network platform and set up 42 industrial and trading companies across the country at all levels to responsible for Haier' products in the domestic market.

Organization structure of headquarters mainly includes two parts:

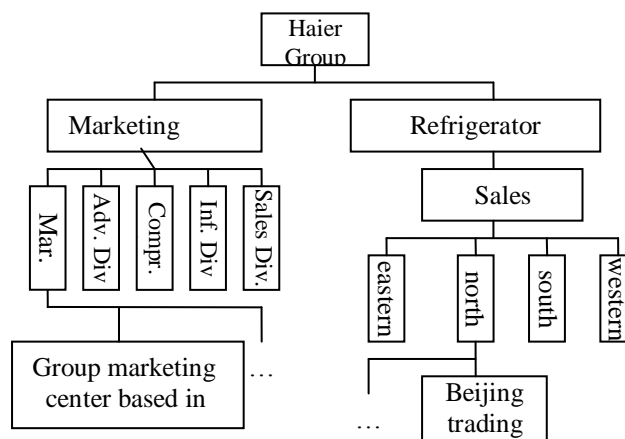


Figure 2. Haier's marketing organization chart before 1998

Source: Huang Jiangming etc. China enterprise product innovation management model research [J]. Management world, 2007 (4)

The first part was the sales department. The commerce department set up 12 sales division departments across the country, managed 42 industrial and trading companies respectively. The 12 sales departments include the Northeast division department, the first division department of North China, the second division department of North China, the first, second, third and fourth division department of East China, Central South division department, the Northwest division department, the Southwest division department, the division department of South China. The function of sales department is virtual, the business secretary usually host a concurrent post which is the general manager of these industry and trade companies. The 42 industrial and trading company spread around the country, has the independent legal person status. The headquarters make use of the products platform of 42 industrial and trading company, make its products quickly pour into the whole national big department stores, home appliance chain and specialty stores.

The other part was the management and support departments. Shanghai headquarters, including the branding department, the online order department, the engineering department, the headquarter center and stores chain channels. Public relations planning center was equivalent to planning department, which function included advertising planning, media promotion, site promotion, etc..

### **A. Birth of the Client Managers**

With the variety and quality of Haier Group's products increase dramatically, the disadvantages of Haier Group' system was becoming more and more prominent. In this background, in Feb,2000 Haier Group formally putted forward the concept of "client manager". Firstly, taking marketing process reengineering as a turning point, changed the product manager marketing mode to sales manager marketing model, which could also be considered as transform the center from product line into marketing. And then, in order to adapt to the change of external environment, Haier Group divided the regional manager into two categories, the regional client manager and channel client manager, they were generally called the account manager. The former was responsible for operating and kept customer relationship and customer network of a certain area; The latter was responsible for customer relationship chain interregional commercial channels.

### **B. The Process of Client Manager**

As a connecting link between Haier Group and their client, the client manager communicate with client directly on behalf of Haier Group and analysis their needs objectively, making the commitment to their client came true and establish good relations between them. Client manager mainly undertake the following five aspects of the business:

- Identify and satisfy customers' needs, and get the order from them: This requires that client manager should not only grasp the potential needs of customers, but also recommend products and premium services according with customers' interests through working closely with them, and eventually attract customers to place the order.
- Manage the business of actual sales receive payment: According to the flow of actual sales receive payment index, client managers need sum up the completion situation of actual sales receive payment index last month firstly, then on basis of this, making this monthly actual sales receive payment plan decomposed, issued, at the same time they are responsible for the actual sales receive payment plan process argumentation, execution and controlling, finally they exam the results. Actual sales that receive payment speed and quantity are proportional to the speed and quantity of customer sales. If the customer's sales are sluggish, which not only affect the speed and quantity of actual sales receive payment rate, but also blow the clients' confidence to Haier Group' products, and directly affect quantity of next order.
- Assist product managers to organize promotional activities and executive orders: The key is to improve the sales orders through the POP promotion, reduce the backlog of inventory, and achieve sustainable order.
- Expand the customer network management and new channels: Communicating with customers can be divided into regular and irregular communication. Take communication between Beijing Industry Trade Company and Gome Group as an example, Beijing Industry Trade Company and Gome Group always hold a symposium at the beginning of each month, Gome Group in Beijing branch usually appoint the general manager and the

branch managers to attend, accordingly, Beijing industry trade company delegate product manager and client manager to join in. Through this regularly communication between the two sides, they established a trust relationship based on mutual understanding.

- Dealing with conflict or contradiction between customers and Haier Group so as to maintain a stable relationships: Client managers are just like a bridge between Haier Group and their customers, he needs to convey both attitudes and requirements and create the maximum cooperation instead of confrontation.

### C. Market Evaluation System for Client Manager

#### *SBU resource of profit and loss statement*

a) *Operating profit of client manager* . Marketing expenses including office rental fees (need to be paid for enterprise to use office, computer, etc, which is deducted according to the marketing budget income multiplied by the commission coefficient ), platform costs (client manager using flow platform client network, must pay fees according to certain proportion), personal business costs (communication with customers, according to the quota standards multiplied by the computing budget completion rate, customer manager use the money to pay the cost of communication with the customers).

b) *Market commission of customer manager*. Market commission of customer manager =operating profit \* personal commission ratio.

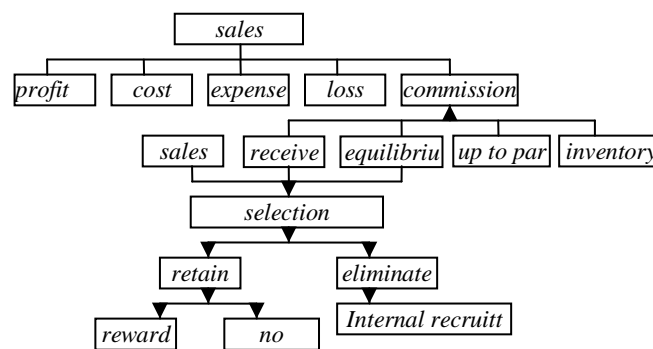


Figure 3. customer manager market evaluation mechanism

Source: author

#### *The evaluation of client manager. (figure 3)*

Using SBU resource of profit and loss statement, Haier Group quantify the contribution of every client manager, and make personal income link to contribution to enterprises. Haier Group' evaluation system to client manager performance including 4 indicators as below.

c) *Actual sales receive payment index*. Haier Group take cash transactions, clients should be deposit a sum of money into Haier Group's account before taking delivery of the ordered goods. The money that customers deposited into Haier Group's account, can actually be called the conception as "actual sales receive payment", but it can not replace Haier Group's sales index. Only after delivery goods to client, we think Haier Group achieve its sales revenue. "Actual sales receive payment index" is one of the most key indicators to assess client manager, which also means to obtain the customer order quantity.

Of course, high actual sales receive payment index shows execution the plan well, but too high index also reflect there may be exist some problem. On the contrary, the collection rate is slightly low is not necessarily illustrate that client manager didn't work hard. If one client manager accomplish sales index very well, then customer balance will become too high, then there will have a temporary low actual sales receive payment index. So we need comprehensively evaluate of the overall index.

In addition, when the client manager receive actual sales payment , not only have to complete the actual sales receive payment plan, but also should pay attention to whether it has keep a balance of every receive payment moment. Reflected in the examination table is "actual sales receive

payment rate", main purpose of the index is to keep equilibrium, can also be called the problem of true sale or false sales the synchronous of actual and plan, can find a client manager's work is hard or not. when the situation that there has a sudden increase at end of some month and middle the month always keep low, even if it has accomplished actual sales receive payment plan, we think the client manager took an assault, that is to say he/she asked the payment just for money. The assessment methods of actual sales receive payment rate is that taking 70% of the budget as linkage veto points.

*b) Products equilibrium.* Products equilibrium refers to the balance of Haier Group's products line sales. It is difficult to find the completion situation of the indicators from the total sales. Haier Group is a comprehensive household electrical appliance enterprises, marketing balance directly affect the enterprise profit structure. Haier Group's products equilibrium index is divided into two categories of large and small products, large products include refrigerators, air conditioners, electronic, impeller; small products include roller, freezer, water heater, microwave ovens, dishwashers, vacuum cleaner. Any product which sales quantity lower than the actual marketing plan 70% can be thought as imbalance, it will be penalized when coming this situation.

Products equilibrium illustrates a problem, every product exist in the market always has its own value. Through helping customer to analysis and modify orders, client manager make this orders reflect the demand of the market more accurately, so that the products can be sold equilibrium.

*c) Every client manager is faced with different types and a certain number of customers.* In SBU resource of profit and loss statement, the number of target customers belong to every Client manager should be examined separately, mainly analyzes its competent store and brand store and comprehensive store, Every month the client manager need support these store with rigid target and promotion plan, each store has the corresponding standard. Up to standard, the reward.

*d) Inventory level.* In SBU resource of profit and loss statement, inventory level is one of the evaluation index of the client manager, actually it is to inspection the goods to sales ratio. If there is a large number of inventory, the customer manager has a problem. As a person responsible for orders, client manager must follow the tracks exactly, communication with customers timely, resolve customer problems, to ensure customer delivery.

*Market performance ranking and selection mechanism for client manager.*

Haier Group make a ranking according to client manager's market performance every month. Market performance is determined by actual sales receive payment, sales amount, product equilibrium. Evaluation index system have a different emphasis in different period with different strategic groups. Making a ranking as to every client manager's performance, reward the top 10% of them. However, those who continuous ranked for three months at the bottom 10% who will be eliminated. The job vacancy in Haier Group will fill by internal recruitment.

### **3. THREE CHARACTERISTICS OF CLIENT MANAGER INNOVATION IN HAIER GROUP**

Haier's conception "employees and orders together" mode, is Ruimin Zhang who is the "head" of Haier Group adhere to the theory which learn the experience of others and raise the one fit Haier Group, but not being to "imitation", has realized the true meaning of "beyond". This model has a deep enterprise culture, embodies the national enterprise of profound cultural connotation.

#### **Client Manager Becomes a Link Between the Big Client and Product Manager**

Manager on behalf of every regional marketing platform, at the same time on behalf of Haier Group, are responsible for trading and communicating with large clients. They submit this "orders" to headquarters, and make great effort to maintenance this relationship. Orders is that clients plan to buy Haier Group's products type, quantity and amount, the client manager help their clients to analyze their needs and survey competitors' sales situation, then adjust the client order plan and contract.

#### **Let Each Employee and Market Integration**

"Employees and orders together", the essence of which is let every employee has a competitive target market, and every staff are facing the market and obtain orders from the market directly, the

factory manufacture and shipment according to its orders. In this competitive target market, every target is accomplished through innovation, it combine the "competitive employees" and "valuable orders", brings the enterprise with its core competitiveness. At the same time, this model will further stimulate the potential of each employee, and like a amplifier to achieve the business goal. In this kind of highly integrated model, Haier Group has eliminated 3 big obstacles that most enterprise feel formidable: invalid orders, inventory and accounts receivable.

### **Market-Oriented Rapid Assessment Mechanism**

In external, client managers strive for orders through maintaining good relationships with their clients; In internal, client manager decompose these orders to each product manager, and transmit it to headquarter, which organizes production according to these orders. At the same time, the client manager collect feedback from customers and give it to model manager, helping them to develop more new products with differentiated selling point. Three managers in aspect of personal income kept synchronous with changes in the market.

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