

## Haier online-leasing plan

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## HAIRER ONLINE- LEASING PLAN

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## **Abstract**

Considering the recent intensified competitiveness that characterizes the market environment of household appliance, Haier being one of them, is striving tooth and nail to barricade itself from the impending dangers that emanate from internal and external environments in order to have competitive advantage. This paper will work on leasing plan of Haier to gain a better profit. The fact that leasing business is still in its early stages in China, but with the high levels of customer loyalty and positive perception of Haier's hi-tech products, people tend to believe in our products and professional services, so it is easier to get attention from our target customers and become successful in this new area. Besides, China Internet has made great progress in the overall environment, popularization and development of Internet industry applications and that information enlighten us that this may be an opportunity which we can use with leasing plan to reach numerous potential customers.

The idea of renting home appliance is interesting for a new business model. Consumer purchase habits are changing, leading quite often nowadays to the emergence of new business models. Following on from house, apartment and vehicle rentals, the rental business has now spread to household goods such as electrical appliances, DIY tools and even clothing. The need to balance household budgets, greater geographical mobility and new consumer habits are all reasons why many people prefer not to invest long term in equipment for the home. In France a start-up called Neo Squat, founded last year, rents out furniture in Paris. Customers choose the length of time they wish to rent and can in the end buy the items if they so wish. It may be a sofa but equally a refrigerator, as household appliance renting seems to be a promising business with numerous advantages.

**JEL Classification:** R20; Z120

**Keywords:** leasing; internet; household appliance; competitive;

## Resumo

Considerando a crescente e intensificada competitividade que caracteriza o ambiente de mercado dos electrodomésticos, a Haier como um dos principais players, está-se esforçando para se proteger contra os perigos iminentes que emanam dos ambientes internos e externos. Este artigo funcionará no plano de locação da Haier para obter um melhor lucro. O fato de que o negócio de locação ainda estar nos seus estágios iniciais na China, mas com os altos níveis de fidelidade do cliente e a percepção positiva dos produtos de alta tecnologia da Haier, as pessoas tendem a acreditar nos produtos e serviços profissionais, por isso é mais fácil chamar a atenção de nossos clientes-alvo.

Além disso, a China fez grandes progressos no ambiente geral da Internet, nomeadamente nos aplicativos. Esta pode ser uma oportunidade que podemos usar com o plano de locação para alcançar numerosos clientes potenciais.

A ideia de alugar aparelho doméstico é interessante para um novo modelo de negócio. Os hábitos de compra do consumidor estão mudando, levando bastante frequentemente ao surgimento de novos modelos de negócios. Seguindo a partir de aluguer de casas, veículos e aluguer de veículos, o negócio de aluguer espalhou-se agora para produtos domésticos, como electrodomésticos, ferramentas de bricolage e até roupas. A necessidade de equilibrar orçamentos domésticos, maior mobilidade geográfica e novos hábitos de consumo são razões pelas quais muitas pessoas preferem não investir na propriedade de longo prazo em equipamentos para o lar. Na França, um empreendimento chamado Neo Squat, fundado no ano passado, aluga mobiliário em Paris. Os clientes escolhem o período de tempo que desejam alugar e podem, no final, comprar os itens se assim o desejarem. Pode ser um sofá, mas igualmente um frigorífico, como o aluguer de aparelhos domésticos parece ser um negócio promissor com inúmeras vantagens.

Classificação JEL: R20; Z120

Palavras-chave: leasing; Internet; electrodoméstico; competitivo

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Two years of overseas study life is going to the end, in this short two years, I have experienced a very different way of learning and lifestyle, and some things are still vividly in my mind as they are just happened yesterday, in the end, I not only harvested Knowledge but also developed a good way to learn under the leadership of the teachers in ISCTE. During the process of thesis writing, I wrote thesis before in previous university, but this time's writing gives me a brand new experience. Regardless of the selection of the topic or the writing process, I have made a breakthrough. At the same time, I also get a lot of help, so my deepest gratitude goes first and foremost to Professor Eduardo Baptista Correia, my supervisor, for his constant encouragement and guidance. And he had accompanied me going through the whole process of the thesis. Without his consistent and illuminating instruction, this thesis could not have reached its present form.

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# 1. Executive Summary

The leasing plan is an effective way to maximize the company's resources and this is likely to make Haier flexibly using the company's resources, on the other hand, it can make the company adapt to the changing market environment.

## 1.1. The main content

Haier Leasing plan which is made for Haier Co. Ltd. to adopt the market environment, cater to the customer's needs of purchase and adjust the internal situation.

The company has a high market share (10.3% of 2017) in smart home integration, Haier is also in the world leading level in some fields like network appliances, digital, large scale integrated circuits and new materials, combining the leasing plan with those are reasons to advocate a new concept of green life and also to provide perfect service.

To make the possibility of buying easier for customers, because leasing will probably make it possible for the acquisition of certain goods for a large group of customers, that would not be capable of purchasing on a full payment system. so the leasing plan would provide 3 payment types.

1. Online payment: online payment is a kind of hi-tech payment form, and there is a third party involved between banks for actual time payment, the advantage of this method is that customers could directly transfer currency from the bank card to the online account, remittance could immediately have arrived, do not need to manually confirm. Customers and businesses could trade in different ways that online payment provides for instance, credit cards, electronic wallet, electronic checks and e-cash and other electronic payment methods for online payment, the use of online payment for saving the cost of the transaction.

2. Offline payment: basically paying do not through the Internet are called offline payment, the specific ways: cash on delivery, post office remittances, bank transfer, POS machine. Cash on delivery means that Haier company can consign the express and other logistics institutions on behalf to charge the fee from customers, take express delivery for example, when the goods delivered to the lessees, the lessees signed the goods and need to pay the payment with cash to the delivery company, and then the delivery company transfer the fee to Haier company or lessees could pay with POS machine.

3. Credit card installments: Credit card installment means that the lessees use the credit card for large consumption, the bank pay the fee for the cardholder by once, and then the cardholder pay the bank with a process that divide into different period.

### 1.2. Overarching objectives

At present, the refrigerator as an indispensable part of people's lives, it also became an important product of the leasing plan, which plan to invest €753.425 (0.22% of Haier's research funds according to the financial statement of 2014) to complete the planned department building and establish a sound marketing network in four major cities with the physical stores in each city.

### 1.3. Stage objectives

The project will be implemented from 2018 to 2023 to complete the first five-year plan, the implementation divided into two phases, the preparation of the establishment and operation.

For the first stage of the establishment of departments which

Contains 4 parts republic relations, establishing department, recruiting, and operation.

The second stage starts the operation plan in the end of the first 5 years, the forecasted net profit will be €48,701,140.5.

## 2. Literature review

At present, the home appliance industry has become an important part of economic development, but there is not much specifically study for leasing to home appliances, this literature review will focus on those references from equipment leasing.

### 2.1 Concept definition

Equipment leasing which is a new financial model, we can say that “*equipment and other companies ' asset leasing involves rentals being paid for the use of the asset concerned by the user (the lessee) to the owner (The lessor)*” (Carson *et al.*, 2010: 1).

Lessors provide rental objects of the lessee to use, the lessee pays the rent to the lessors in installments but the ownership is always belonged to the lessor, so that the risks are relatively low on the lessor and the lessee “*This type of leasing has its origins in the supply of equipment on short-term rental or hire.* (Carson *et al.*, 2010:1)”.

Analysis of Industry Practices Emphasizing Lessors ' Risks and Returns (Beedkar, 2016) . Beekar stood on the lessee's point of view and putted forward four criteria of leasing . The lease transfers ownership of the lease equipment to the lessee by the end of the term. The lease contains a bargain purchase option. The lease term is established of the remaining estimated economic life of the leased equipment at the lease inception. (Beedkar, 2016) .

### 2.2 Implementation

On top of it, in Singapore, equipment leasing have become the economic industry with fastest boost rate , there is no legal definition but they may treat contracts as agreement and the contracts start when lessors received first rent from lessees, moreover ,contracts will be protected by laws, in Singapore, there are two types of contracts, operation leases and financial leases, for what is operation An operating lease normally requires the lessor to bear responsibility for maintaining and serving the leased asset and the lease can be revoked by the lessee at any time by paying a small compensation. (Tan and Kwan, 1970). for instance, the most particular operating lease is the lease of building. “A financial lease on the other

hand only requires the lessor to provide the financing while the lessee is responsible for maintaining and servicing the leased asset. (Tan and Kwan, 1970), similarly, we can also find the two lease types in The U.K., for finance lease, “the related asset and obligation would be included on the balance sheet. (Gee, 2006). As for operating leasing which would require 50 % asset to come on the balance sheet together with the related obligation (Gee, 2006). Interestingly, “there is also a lease derivative that worth to mention, assigned or discount lease this is a lease which the lessor collects upfront cash for the lease payments from a funding source and, in return, allows the funding source to collect the future lease rental (Onyiriuba, 2015).

### 2.3 The risks

On the one hand there are two aspects, of course, the lease plan is not an exception, depreciation may be the most obvious problem in the entire leasing plan, such as *“every business which draws up accounts will provide in those accounts for the inevitable depreciation in value of the capital assets used in the business”* (Richard et al., 2010: 2).

It has been extended the depreciation problem of the equipment to the traditional leasing situation, *“Investor can always sell the used equipment for a positive price, which is an essential feature of many practical leasing problems”* (Zhang et al., 2012: 167) . On the basis of this, the depreciation had proposed the traditional risk-reward model and the certain forecasts of the model also are applied for leasing plan. Therefore, lessors can improve the role of market anticipation according to the risk prediction, as to avoid unnecessary losses *“Numerical analysis shows that the competitive performance is significantly improved in the risk-reward models”* (Zhang et al., 2012: 167) . To sum up *“Using the competitive ratio of the evaluation of on-line algorithms , based on the general risk-reward model obtained with al-Binali's certain forecast”* (Zhang et al., 2012: 173) .Although this model has been of considerable success , but it should also be considered to conclude the factors of inflation and salvage in the model therefore improving the accuracy of the results .A brand new advanced payment method which could balance the risk among the payer and the manufacturer, there are more interests could be acquired by substituting up- front payment with a stream payments, thus it summarized the history of the evidence development and the value-based

pricing and mainly explained “the extent to which these address the problem of asymmetric allocation of risk between the health care payer and the manufacturer” .(Edlin *et al.*, 2014) and the technology leasing reimbursement strategy (TLRS), this strategy would be used during every stage of patient's personal health level, there are two scenarios, firstly “*If the observed mean effectiveness was equal to the expected effectiveness, then the manufacturer would receive the full value of the technology*” (Edlin *et al.*, 2014: 439). Secondly “When an individual’s health experience from the technology was less than predicted, the payment would stop and thus the health care system would be to some degree protected from the risk of paying for a technology that was not in fact good value for it.” (Edlin *et al.*, 2014).

Deprecation has been considered and “*The optimal competitive ratio of the deterministic strategy is therefore obtained. As randomization can boost performance, the randomized strategy for on-line leasing of depreciable equipment with oblivious adversary is further proposed*” ( Zhang *et al.*, 2011: 1) . Therefore, it has found out that involving interest will decline the optimal deterministic competitive ratio but if doing not to involve it, the optimal deterministic competitive ratio could increase , taking into account of that, there is a close relationship between the profit of leasing business and the competitive ratio.

The lessors are like to meet the disposal problem especially when it comes to sort-term leasing “a manufacturer lessor has less investment exposure since its manufacturing cost will be significantly less than the retail price ( Nevitt and Fabozzi, 2000) ” Therefore, the leasing plan should be based on the specific circumstances of the company's products, integrated different factors, and analysis of different risks, especially for market risks.

In the market environment, when it comes to financial leasing, loans or investment, as long as the funds of the acquisition of equipment or technical transformation, the first consideration should be the market risk of leased equipment, for tackling this problem which requires understanding of product sales, market share rate and the ability to occupy, the product market development trend, the consumption structure as well as the consumer mentality and the expense ability. If these factors are not fully understood, these factors could increase market risk. Secondly, financial risk, financial risks run through the entire business activities. For the lessor, the biggest risk is the payment ability of the lessee, which directly affects the operation and survival of rental companies. Currency payments also pose a risk, especially

when international payments, payment methods, payment dates, time, remittance channels and payment options are not properly chosen. Thirdly, technical risks , introducing advanced technology and equipment could benefit the whole leasing process. In the actual operation process, whether the technologies advanced or mature are the important reasons for the technical risk. In the past, leasing equipment is capital costs which resort high rents, now the leasing way is gradually lead to the small and medium-sized enterprise field, the majority of small and medium-sized enterprise should be that increasing the attention dynamic and understanding its characteristics, for adding one more road for their finance.

## **2.4 Development trends**

“Leasing *enlarges the market for equipment of high unit cost thought the feature of moderate payment extended over the entire period of use*” (Babione, 1950: 205). Many countries at the good time to develop leasing industry nowadays but the biggest problem is the lack of domestic demand and overproduction. Due to insufficient domestic demand, consumption is not in a good situation, so it’s urgent to develop new marketing methods. In the United States “80% of U.S. companies lease some or all of their equipment and leasing are a major source of investment in new equipment, with over 30% of capital goods being leased each year” (Estok, 2006: 2).

Credit consumption, leasing consumption has become a national advocate. Consumer credit consumption of high-tech wing should be introduced. New products replace faster and faster. The new concept of “leasing first buying after” has been accepted gradually in market. Based on that , enterprises are placing more emphasis on the most sustainable development plans , there is a brand new concept claimed that " in a way, green leasing would be regard as a product of Sustainable facilities management . this is a positive way to impact the " human " factor of building, and effectively uses the lease terms and like to stimulate both of the lessor and lessee to achieve energy conservation , so that improving house and building's environment regularly . The paper that focuses on green leasing describes the theme of the process facilities and services, and elements of sustainable development “*It is also suitable for linking the discussions to socio-economic and socio-technical factors*” ( Collins and Junghans, 2015: 131) .

Nowadays, this practice is normally used in a wild range of fields, taking car hiring for instance, car hiring companies like to rent out cars, equipment or some specialist tools for the



lessee generally for temporary usage, *In all such cases, “the lessor’s basic attribute is the ability to control and manage a pool of assets available for use by a series of lessees”* (Richard *et al.*, 2010:1) .

## 3. The Introductory

### 3.1 Business Transformation by Online

Internet and other new technologies have brought rapidly development of social changes. Nokia's declining makes people waking up: in this times, the probability and speed of death and speed of large enterprises are almost equal to that of small businesses. Enterprises must continue changing, in order to follow the pace of the times.

Haier regards self-management as the tenet, so that the enterprise's resources must be divided and it's impossible to make an in-the-overall strategy of allocation of resources; under this circumstance, the individual is not likely the development of the organization, Moreover, labor force, brand, financial and other resources are broken down into 2000 autonomous operators, it is difficult for Haier to control business risks, once the business risk out of control, especially financial control, Haier's survival will immediately be threaten.

The Internet has become the mainstream business model, in the past times, advertise is the main method that makes users getting information about the product. But nowadays with coming of internet which not only gives user choices but also provide an opportunity to establish relationship between business and users, besides, internet allows users to participate in the whole process. At the same time, enterprises also create the best experience for users.

Ergo, doing business Transformation by Online plan enables Haier Company with opportunities to reverse the current trend of reducing the income funds.

For user's level

The Internet completely changed the user's consumption habit that people need not go shopping every day, shopping in a physical stores is very passive to the business, but by doing online businesses can not only take the initiative to make it possible for customers to gain the information, but also make most of it to dig the potential customers, for example, many people have never got touch with Haier's high-end product because of economic

reasons , but once they may come into contact with these products, these may be attractive, which can to dig a lot of users for Haier company, thereby enhancing product marketing and Increase in income.

For enterprise level

Now is the Internet era, companies are likely to face the risks of competitiveness and eliminated due to from business transformation, however , if Haier doing so , which not only for the company to avoid these problems , but also bring a lot of benefits , such as intergrading the industrial chain to reduce the channel links that make products reach to the users , such as abolishing the physical stores to maximize the savings in resources , also saving the cost of the real thing in the promotion , so the company can take this cost and develop more products to attract customers .According to the above information, it is time for Haier makes step to correct the disadvantage situation, business Transformation by Online , no doubt can create a great value, obtain a large change of the company's funds , so that facilitating the company through the financial difficulty.

### **3.2. Online leasing plan retrieve the lacking of capital**

Qingdao Haier (600690.SH) released 2015 annual report shows that the company income was 89.748 billion Yuan, lower 7.41% than last year, the net profit of shareholders was 4.3 billion, lower 19.42% than last year.

**Figure1** -- Global profit turnover and growth rate (2000-2014)

Figure 1 summarizes the global profit turnover and growth rate of Haier Group during the period from 2000 to 2014. It can be seen that before 2005, Haier's growth rates were higher than those of the following years, in which a rapid decline in growth rates occurred resulting to only single-digit. From 2004 to 2009, for example, global profit turnover increased from 101.6 billion RMB to 124.3 billion RMB, but the average annual growth rate only was 4.15%, the growth bottleneck was very obvious. Even after 2009, the growth rate is far less than Midea and Gree (Two popular household brands in China).

Ergo, by doing business Transformation by Online plan enable Haier Company with opportunities to reverse the current trend of reducing the income funds,

For user's level

The Internet completely changed the user's consumption way, people need not go shopping every day, shopping in a is very passive to the business, but by doing that businesses can not only take the initiative to make it possible for customers to understand the information, but also on the big limit to dig the potential customers, for example, many people have never get into contact with Haier's high-end product because of economic reasons, but once they may come into contact with these products they may be attractive which can to dig a lot of users for Haier company, thereby enhancing product marketing and Increase in income.

For enterprise level

Now is the Internet era, companies are likely to face the risks of competitiveness and be eliminated without business transformation, however, if Haier doing so, which not only for the company to avoid these problems, but also bring a lot of benefits, such as intergrading the industrial chain to reduce the channel links that make product reach to the users, such as abolishing the physical stores to maximize the savings in resources, also saving the cost of the real thing in the promotion, so the company can take this cost to develop more products to attract customers.

According to the above information, it is time for Haier makes step to correct the disadvantage situation, business Transformation by Online, no doubt can create a great value, and obtain a large change of the company's funds, so that facilitating the company through the financial difficulty.

### **3.3. From the costumers' perspective**

Leasing is an advanced concept of consumption and more and more companies and private enterprises with ahead-awareness and have joined the ranks of the lease.

Comparing with the purchase, the lease has its special five benefits:

#### **a. Saving customers' time and energy**

In traditional purchase method, generally the users will spend a lot of time and energy to examine the market, compare prices, and they also afraid to choose the wrong brand and model; once they bought the products, product-faking is also a problem that they consider with.

Those problems could be solved by online leasing with just one click.

#### **b. Less investment**

Customers only need to pay a small amount of deposit and have a valuable right to use equipment. Not only saving most of the money, but also avoiding depreciation.

c. No risks

The original value of the equipment is much larger than the leasing deposit, so the users do not have any risks; once the rental model is not appropriate, thus it can be replaced immediately (only need to adjust the deposit), it is not likely happening when the buyers chose the wrong model, because is difficult to return then.

d. Easy to control costs

The rent makes cost control extremely clear and simple, it avoids unpredictable replacement and maintenance costs, meanwhile eliminating the additional costs that may be caused by management problems.

e. No need to worry about after-sales service

If customers are not satisfied with the products' status, they have the right to change, the lessors make profit according to time, so they will ensure the operational life span that the products are in good working condition. Customers not only don't have to worry about maintenance but also saving from labor for selecting maintenance company and worry about buy fake one.

Taking into account of those five factors, it is clear that online leasing plan is viable and the most appropriate solution to the problem of Haier Company.

## **4. The Foundation**

### **4.1. The Problem - the need**

One major problem of Haier - intensive competition. Haier had an unprecedented competitive pressure. The market is already highly competitive because of the existence of many manufacturers in China such as Gree and other foreign enterprises like Siemens and many other local companies.

#### **4.1.1. The amount of costumers**

For my country, the number of consumers of home appliances is enormous because the improvement to the popularity and people's living standards, basically every person has household appliance needs, but different products and price's needs. For urban people , they many perches home appliances with high prices and good quality. But for medium and small cities, people would rather buy household appliances with low prices. For rural areas even worse. For small cities and rural area's costumers, even though in a less amount of customs but the need is on the rise trend, and they are also in a great space to choose the brands. So Haier Group should develop specific policies of consumer who comes from small cities and rural areas, with urbanization gradually, which means that domestic demand will continue to expand. At present, China's urbanization rate is advancing from 50% to 70%. Urbanization rate has increased 1 percentage point (From NBS National Bureau of Statistics: China's urbanization rate of 2015) , which means that a large number of rural populations become urban resident population, resident population over these transformations will have a tremendous demand for home appliances.

As for the overseas market, Haier began early to enter the overseas market, although the proportion of its share in overseas markets smaller than local brands, but it is still the first Chinese Foreign home appliance brand for doing that. Obviously, overseas market is huge but it is difficult to get into, particularly for some developed countries market, they are own high level scientific and technological, some their own native brands are also quite good. So Haier Group has to require a higher level of technology and innovation to attract consumers.

In order to embark on overseas markets, Haier refrigerator focuses on global market very

early. From 1990 to 1999, they have built their own base abroad, in order to build the brand which, belong to China and famous in the world. Today, there are around 29 trinity locals manufacturing bases and 61 global marketing centers belong to Haier to cater customer's needs.

#### **4.1.2. Purchasing power**

The purchasing power of household appliances mostly from the customers that are the new house owner, normally they would buy a set of household appliances. With the real estate industry booming, the home appliance industry will also have a boost. But most customers are shopping in different stores and do not stick to a particular brand or appliances. Affecting by online shopping and different purchase ways, home appliance buying patterns also appears / appeared diversified patterns. For example, people can not only purchase in Sunning, Gome such household appliance stores, but also browsing Jingdong (it is a famous electricity online shopping store), then make final decision after comparing those prices.

In the next few years, 80 s people will enter a peak period of marriage. Which means that the appliances are also entering the replacement period and they will have a significant increase in market needs.

#### **4.1.3 The analysis of the customer's needs**

Haier consistently uphold the principle of customer demand for the concept and it makes Haier putting highlights on providing technology, products, services and solutions to meet customers' needs and these products that Haier launched are popular with consumers in current market. From the perspective of the brand, Haier focus on creating consumers with a modern life. Whether refrigerators, washing machines, air conditioners, water heaters, etc., are the market demand, the introduction to Haier products are more abundant to meet the purchase needs of different consumer sectors. Compared to other brands, Haier's' products as solutions provider of green energy keep improving the technology, products, improve service for developing environment , Haier launched refrigerators, freezers, television series and other new products, not only the application of advanced technology, but also set different functions of different consumer need , , and it is gaining the attentions from the customers who pursuit a life of high-tech and high quality , Haier ecliptic the details for the various types of innovative products in global and to meet consumer demand , products are given professional evaluation . besides, Haier refrigerator models introduced a range of types to



provide consumers with sufficient choices, it is understanding that why Haier products are popular with overseas because it is not as simple as most home appliances brand output products of the local market, but based on local consumer demand to innovate and research and develop.

#### **4.2 The Solution - what it is been offered**

In the future Haier is going to solve all these problems by creating 55 Chuangke labs in lots of universities in China to do the research. After the implementation of this idea, the costs will get lower because if the company has owned core technology for their products and the cost of the goods will decrease and the economic efficiency will be promoted and it's also means that the opportunities and the advantages to compete against Haier competitors will increase. Also the period of production will be shorter. The company will gain new consumers and will improve the old consumers' loyalty on the reason that Haier will offer the customers new ways to buy and more important to design their ideal product. Now the customers can make their dreams come true and they can do it in a very simple way. This was a creative way to successfully attract attention to the youngest customers and to those who have high standards for comfort. At the same time, it will still have the loyalty to the old ones. These productions produced from Chuangke, notwithstanding very innovative and attractive, but it is for the young groups which may not with high income even do not have a fixed dwelling (house appliance cause a lot of inconvenience during moving), so we use the power of the network to lease the product of Chuangke and ordinary household appliances to expand the market and increase profits so that solving the 3 problems better.

For catering customers' leasing needs, this plan going to provides all of production from Chuangke lab and common household appliance.

#### **Refrigerator& freezer**

Single door refrigerator

Double door refrigerators

Triple door Refrigerators

Mufti-door refrigerator

Freezer

Ice Wine Bar

#### **Washing Machine**

Drum washing machine

Washing Machine

Dryer

**Air conditioning**

Wall conditioners

Tank air conditioning

Home central air conditioning

Air Cube

Air purifier

Air Mini

Air box

**Heater**

Gas water heater

Solar water heaters

Heating stove

Air energy heater

**TV**

4k HD Smart TV

Smart TV

Online TV

Streaming TV

MOOKA

**Electric kitchen**

Electric stove

Dishwasher

Sterilizer

Gas stoves

Air fryer

Entirety wardrobe

Entirety Kitchen

**Digital computer**

Laptop

Desktop

PC tablet

Network equipment and peripherals

**Home appliances**

Environmental appliances

Individual appliances

Health appliances

**Wireless Electric**

Household electric kitchen

Personal application

**Smart appliances**

Smart Refrigerator

Smart air conditioning

Smart Oven

Smart Washer

**Smart Air Products**

Air Cube

Air box

Air Mini

Car Purifier

Smart Formaldehyde Monitor

**Smart Home Products**

Sweeping robot

Bluetooth audio

Smart socket

Health refrigerator box

Body fat scales

Vegetables hydroponics cultivation tank

Smart Bidet

**Service**

Product Registration

Reservation Setup

Online Repair

Special service

Service Policy

Service Status

Haier service shop

Haier store

Application Center

Help center

Production's information from Haier Company's official website

### **4.3. The Business Model**

#### **4.3.1. Mission**

Depending on the size of the leasing plan, the establishment of relevant departments, network constructions and other factors, the plan is expected to complete during one year, therefore, construction works include: preparation, design, and feasibility study.

In order to obtain a higher market benefit and carry out the plan smoothly, leasing plan plans to adopt different management measures on construction and operation phases respectively. According to the characteristics of the plan, which is divided into three phases (preparation, implementation of the scheme, the final stage debugging) each stage's management method is based on the concrete content. First of all, at the preparation phase, the plan should be analysis, determining the outcome acceptance of this stage and the necessary monitoring feedback; Secondly, the implementation phase carries out according to concrete plan, and take achievements acceptance based on the technical requirements and quality assurance. Discovering and solving problems that may be encountered with time. Finally, in final stage-debugging phase, according to the norms and standards of pre-planned to take the necessary debugging.

In terms of human resources, we plan to establish a new department and an improved management system of the human resources, also building a reasonable and effective evaluation system and then creating a good working environment and salary condition for forming a good labor relations and attracting more professional technical staff.

In the aspect of intellectual property, we should strengthen protection for intellectual property. To be contrasted with traditional marketing methods, leasing plan is not only faced to customer but also exposed to the market. As a result of these, we need to do these things below in order to protecting intellectual property: patent application, composition of software, improvement of file management skill. So that we could avoid imitation of plan and ideas by others

#### **4.3.2. Vision**

For the plan:

With the Internet developing and market maturing several household appliance companies in China were gradually transferring to o2o business model, in addition, great mobility of population leads to deficient in household applications of renting house, and this trends will impact on promotion to this immigration group and formation of the household appliance market .In the tough context above, however leasing plan has high reliability and feasibility upon on the Internet environment, furthermore we can identify and exploit the market during the dynamic processes of implement and operation. Creativity, business opportunities and resources as the key elements, the plan should benchmark to whether ideas enable to meet business opportunities, business opportunities can achieve its value and resources can be effectively utilized. Therefore, the plan in line with the purpose of profit to maximize the use of all opportunities and resources. In addition, we still persist in innovation and improvement and strive to achieve maximum benefits in order to recovery in five years.

For customers;

To achieve the services for economically sensitive populations, relatively low cost plays / played a critical role, leasing to plan can cater the needs of this group of customer appropriately, not only solve the problem of moving needs of home appliances, but also obtain the greatest benefit of customer in economic aspect, thereby attracting more customers, developing new markets and forming a win-win situation to the company and customers.

For the market environment :

Due to the cooperation relations, internet and network payment platforms will be promoted further and the publicity as well as expanded, this relationship not only promotes the close development of different fields, but also lay a good foundation for a win-win situation in market environment.

### **4.3.3. Values**

In the wave of market economy, the customer is always the dominant player, a customer is a market .in the leasing plan, we may seize any kind of possibility to provide customer with services and to create a market for ourselves. At the same time the company's sincere, companies have customers that means having it all, losing customers , they will lose everything inevitably. Leasing plan is not only leasing products, but the more important thing is the credibility and the corporation cultures which is the key for "emotional communication" between products and customer.

Innovation is the culture's essence. In the rapidly changing market, no updated, no innovation mean self-abandon. But innovation is not for "innovation" to innovate, but to create more value for country, people, society, enterprises and staff.

Practicing is the only criterion for testing truth, customer's satisfaction is a sign of the effectiveness of the plan,

## 5. The Context

### 5.1. Market Analysis - PESTEL Analysis

This can help a company to build an outlook of market environment and draw up strategies depend on these factors from PESTEL analysis. It is a very practical method because the layout is clear and comprehensive as it provides decision makers with an opportunities to make decisions with informed knowledge from internal and external environments. (Political, economic, social, technological, environment and legal factors.)

#### 5.1.1. Political and Legal factors

(+) WTO: China has joined WTO and this is a positive effect because the increase of the income allowed more funds to develop high-technology.

(+) Sustainable development: The lack of resources in China led the Chinese government to focus on sustainable development so it allowed Haier to change their policies of energy conservation and emission reduction.

(-) Sustainable development: The finances of Haier Inc. will be affected off all the above.

(+) Allowance: “Home appliance going rural” is a Chinese policy which provides that for a citizen who have a rural registered permanent residence (farmer) will get 13% fiscal subsidy when they buy a household appliance. This policy is only working in collaboration with Haier Inc.

#### 5.1.2. Economic factors

(+) Low interest rate: In China a low interest rate provides Haier Inc. a lot of opportunities to loan even more funds to can invest in development and innovation.

(-) Unstable domestic stocks market: Unstable domestic stocks market poses a threat for Haier Inc.’s stock, which have a negative effect on capitalization.

#### 5.1.3. Social-cultural factors

(+) Large population: China has a large population so the market demand is great.

(+) High quality of life: In recent years, people began to pursue high quality of life and to pay more and more attention on the quality of after-sales services.

(+) Consumption level: From the analysis of the market situation, the income gap between different regions, sectors and industries is more and more obvious so the consumption level difference is also bigger and bigger which makes the commodity sales trend more clearly. According to different consumer groups Haier should produce consumer-oriented products.

(-) Aging of the population: China's population is aging fast. The aging of the population will affect Chinese society in many ways such as education, medicine and business. Income growth of the elderly is slow so their purchasing power is low and it's difficult to develop a market for the elderly people.

#### **5.1.4. Technological factors**

(+) Innovation: China pays attention to the cultivation of talents and R&D results. Haier should grasp the latest information and constantly develop new technologies and new products.

(+) New channels: Universities and colleges cooperate with the enterprises such as Chuangke which is a laboratory of Haier In. to promote the combination of education and market, to raise their social image and to create the culture of trademark with the enterprises.

(+) China Awards for Science and Technology Implementation: Technology Award is a long-term national policy in China. It is conducive to the macro-control of the technological development. Implementation of the Technology Award is the performance of respecting knowledge and talent.

(-) Brain drain: The loss of talented people is the reason for the waste of cost so will make the enterprises lose market competitiveness.

#### **5.1.5. Legal factor**

(+) Encourage the innovation: First the environmental protection laws encourage innovation by reducing taxes for the environmentally friendly products.



## **5.2. Competition Analysis - Five Forces Model of Michael Porter**

Porter's Five Forces model illustrates how a company can be effected by the different acting forces and this model can facilitate companies to analysis their marketing positons and assess the competitive ground by the five fundamentals.

### **5.2.1. Threat of New Entrants**

For China's home appliance industry, the main entry barriers are funds, technology, costs and the cultural differences. The original market's owners tend to have a stronger capital base, a higher reputation, a unique core technology and core competencies and also a good cost control.

In accordance with the cultural characteristic of the target markets, when new entrants want to access the market successfully should overcome these barriers.

If other companies manage to successfully enter on the market, they will reduce Haier's market share of same related parts and they will shake Haier's industry status.

### **5.2.2. Bargaining Power of Suppliers**

Haier always calls for bids local instead of transport those basic materials which are essential for the whole products. That could decrease cost of freight and shorten the period of production.

### **5.2.3. Bargaining Power of Buyers**

O2O online shopping platform normally has the strongest bargaining power.

To be honest, we are not sure about physical store purchase price. But according to the same price with the online shop, it must get the lower purchase price since the physical store always has extra costs.

Individual consumer has no bargaining power, he/she can just buy it at the price shown on the website or in the physical store.

#### **5.2.4. Threat of Substitute Products or Services**

It's hard to find a good substitute in appliance industry. But nowadays, with the development of technology and internet, most families will choose a computer, iPad or a smartphone to watch TV programs or movies, instead of using television.

Low price products will mainly get more market, when its quality and function are similar to the high price products.

Complements: Wireless kitchen it works in association with the wireless launcher. Real Estate Industry from the Tencent news, real estate lead to 30% demand in appliance industry. Logistics appliance industry cooperates with the logistics industry. When customers buy the machines in market or online, an employee will transport the products to their home.

#### **5.2.5. Rivalry among Existing Competitors**

There are many competitors in this market and these competitors have become more competitive. Therefore, these competitive competitors own economies of scale and provide a series of innovative products. Moreover, less-advantage competitors provide cheaper-price products to get the market and the market share. Therefore, the rivalry in the market is normally by cost leading and product diversity and these factors shows the competition is very intense.

There are three main drivers to acquire competition between these companies: low-price production, high technology and service (cash on delivery, try out, insurance, exchange and returned production)

### **5.3. SWOT Analysis**

#### **5.3.1. Internal Analysis**

##### **5.3.1.1. Internal strengths:**

First of all, determines strengths of the company: Haier is a well-known brand name in China with high reputation for reliable quality and an excellent customer services since 1990. The company planned to provide satisfactory after-sales service to customers. The company has invested in setting up a computerized service center to keep track of numbers of customers. Accustomed to the service policy that the customer is always right and build good impressive after-sale service. Haier has win high recognition and customer satisfaction. In 2008, Haier ranked 1st among Chinese. The strength of Haier also thanks to its innovation. Haier had applied for 9738 patents, ranking first among Chinese appliance enterprises.

### **5.3.1.2. Internal Weaknesses**

The first point to be considered is that even Haier play a very important role in Chinese market, it is still focusing on traditional electrical products, and it has a negative effect on capital, technology and management while competing with multinational companies.

### **5.3.2. External Analysis**

#### **5.3.2.1. External Opportunities**

With a upward trend in Chinese 's living quality and agreeable government politics to improve rural people 's lives, more and more people prefer sophisticated home appliances in outskirts, which means Haier has more way-out potentials in the future environment-friendly green electrical appliance is another trump card for Haier to gain a bigger market.

#### **5.3.2.2. External Threats**

The major threat that Haier faces is the intense competition in Chinese market. In the light of statistics, Haier ranked as the third most favored refrigerator brand by Chinese consumers, lagging behind two competitors – Gree and Midea. With the-supply-exceeds-the-demand trend in household appliance market in China, which has shaven Haier's marketing position.

### **5.4. Value Chain**

The value chain is divided in five parts: Inbound logistic, marketing & sales and services. Then the three parts are segmented in specific activities.

Inbound logistic is distributed in warehousing, inventory control, transportation plan, operations-processing, packaging and testing and the outbound logistic is divided in goods delivery, distribution management.

Marketing & sales (marketing mix channel), Haier's abroad market is not gratifying but it is the leading brand of household appliances in China.

Service: installation, maintenance, upgrading- Haier's service shows sophisticated quality, especially for its after sales service. But the complains to for Haier's service are growth in recent years which might compromise the Haier's renown.

#### **5.4.1 OBS Competency Analysis :**

The channel for marketing mix activity is distinctive in Marketing & Sales department, because is influenced by the various amount of production and by the high reputation of Haier. The Channel which includes the management for the primary market and the secondary market can be adjusted by establishing exclusive stores in secondary and forth markets, so in this way the middle link can be canceled and the cost of sales channels can be reduced and it will also benefit for a management and terminal control.

Processing, packing, testing, maintenance play a distinctive role in Technology department which is also assisted by Fengcai Printing Company that merged with Haier. The process of packing will bring a direct profit for Haier.

Service: installation is also a distinctive department in R&D, Chuangke lab is the main reason that makes those activities distinctive.

Since Haier established a good reputation for after sale services, we believe that the installation, maintenance, modernization have an instinctive effect on services department.

#### **5.4.2 Operational risk:**

In R&D department there are two main risks: investing in Chuangke and launching cellphone. Investing in Chuangke may have a medium risk when we talk about time and budge but there is no threat on quality, service level agreement and key performance indicators because the company had invested loads of funds in Chuangke and had hired high-achievement students to work into Chuangke to ensure the high probability of success.

Launching cellphone is a significant risk in Haier because the company focuses more on the development of house appliance, so for launching cellphones not only they may have a lack of high technology but also there are strong competitors such as Huawei.

Another risk in Sales & Marketing department is to be a sponsor for big activities instead of being shown on TV or in a magazine. The company strategy to attract clients is to focus on broadcasting; they cancelled long term funds distribution for advertisement and in the meanwhile they attract customers.

## 6. Marketing Plan

### 6.1. Target Market definition (Market Segmentation)

#### 6.1.1 Geographical & Demographic segmentation

Table 1-- National Bureau of Statistics of China in 2014

Ranking	City	City level	Domicile population ( thousand )	Permanent resident population ( thousand )	The net inflow of population number (thousand)
1	Shanghai	Municipality	1426.93	2380.43	953.50
3	Shenzhen	Prefecture –level city	299.15	1054.74	755.59
5	Guangzhou	Provincial capital	822.30	1283.89	461.59
13	Hangzhou	Provincial capital	700.52	800.20	179.68

The data from National Bureau of Statistics of China in 2014

The chosen targeting places could be Shanghai, Guangzhou, Shenzhen and Hangzhou, according to 《Report on China's Floating Population Development in 2012》<sup>1</sup>The report pointed out that the current proportion of China's urban population exceeded 50%, the size of the floating population reached a record high, the flow of population, the flow direction, the structure and the interests of the floating population groups are profound changes. In 2011, the total floating population of China has nearly 230 million, accounting for 17% of the total population.

Besides the report as well as shows that, at present, the average age of migrants in China is about 28 years old, at the same time, employment tends to be more stable in the inflow cities. More than 30% of the floating population living in the inflow cities for living more than 5 years and engaging in the current work for an average time that close to 4 years, the annual average backing home times are less than 2 times. The average family size of the floating population of the influx is 2.5 people, 72% of the floating population live in rental housing, especially for rental independent houses.

So the plan' chosen target places could be Shanghai, Guangzhou, Shenzhen and Hangzhou those cities with the high rate of immurement.

The emergence of the leasing plan is the innovation in household appliance, breaking through the situation of simplex sales in the past, expanding the marketing channels, increased sales share, fasting funds advanced.

The development of metropolis cities' scale is still expanding, as well as the number of foreign tenant's influx, a massive spending on purchasing of home appliances makes it difficult for tenant to deal with these depreciated appliances in many years after, the leasing plan provides them with an opportunity to solve the urgent needs.

### **6.1.2. Psychographic segmentation**

Leasing plan mainly focuses on youth who over 18 years old with low incoming among the society, like college students and career starter.

According to the survey of students, the survey showed that more than 15% of the surveyed students had the experience of renting off-campus housing and they were mainly junior and senior students. In these students, they are normally facing internships and employments. Guangdong Business School junior student Chen said , due to being a senior student and facing to all day internships and looking for work, the commute between the working place and the school's dormitory is very inconvenient and having to spend a few hours of every

day on the road, based on this survey, we also found that the situation of self-entrepreneurial more and more common in recent years, and earlier and earlier in college now, even among of freshman and sophomore, we found that they began to seek business, "If you live in the school dormitory which will bring a quite inconvenience." Chen said.

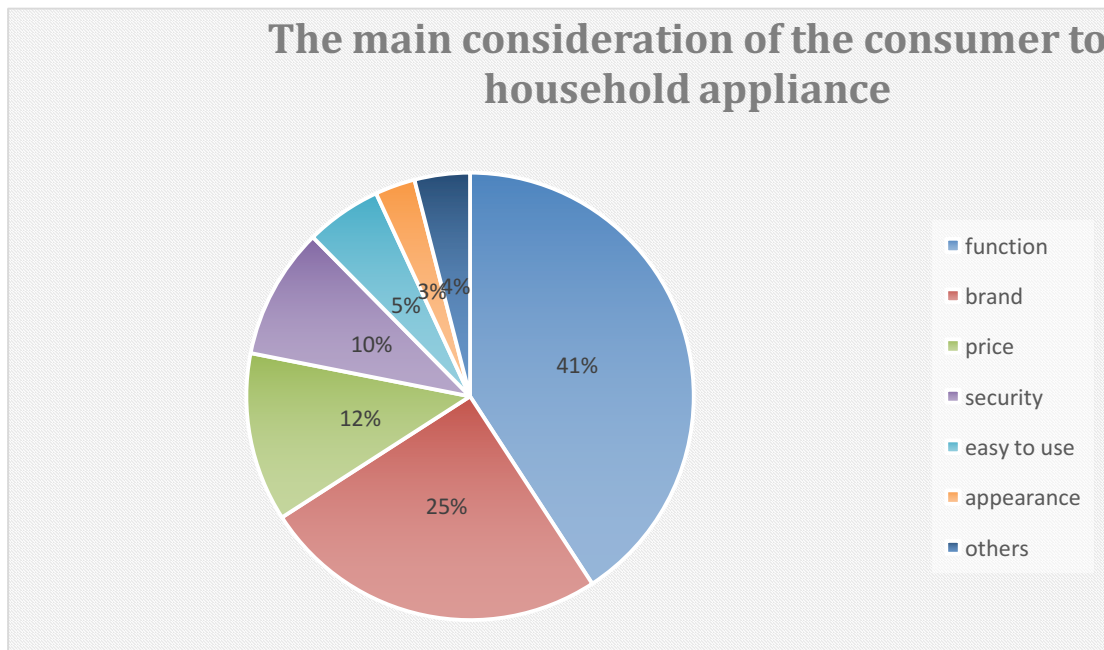
In addition, in this survey, more than 35% of the students indicated that they were willing to rent house out of the school premises for two reasons. Firstly, students think that the school accommodation management was too strict therefore making them lacking of freedom. Secondly, the students feel that the school accommodation environment was not good enough. Rental is more convenient. "School students in the management of accommodation are too strict, there is no freedom, while in the outside will be a lot of freedom, you can do things you like to do. Sometimes you can get together to play together with your friend and do not care about the school accommodation rules. "Said Xiao Li, a student of Guangdong University of Foreign Studies.

In terms of career starter live in first and second-tier cities with the soaring prices of real estate , which makes it difficult for those new employees to buy a house in their work place and nearly 6 percent of the worker choose to rent house. According to the city line levels that formed three echelons: The average monthly rent of the third-tier cities is €68 with the highest proportion of €95; The average monthly rent of the second-tier cities is €124 with the highest proportion of €137; The average monthly rent of the first-tier cities is €95 Yuan with the highest proportion of beyond €137; Especially in above €274 of the proportion of first-tier cities is much higher than the second and third tier cities. According to 58 City Survey -"the status quo investigation and study of people of workplace in 2015"



### 6.1.3. Behavior segmentation

**Figure 2** --The main consideration of the consumer to household appliance



According to this chart, there are 7 main considerations of the consumer to household appliance, include the function (40.80%), the brand (25.10%), price (12.20%), security (9.50%), easy to use (5.50%), appearance (2.90%) and others (4.00%).

Therefore, the main consideration when consumers in considering household appliances is the function, we can also call it practical, that is, the quality of the product clearance that plays role in helping consumers to solve the daily problem and to facilitate life's quality, which is the most critical consideration. Secondly, consumers trust the brand, especially those productions that produced by large-scale brand enterprise R & D, because consumers regard it as a guarantee. In addition, as home appliances, consumers may care about the functionality and brand, in other words, whether it is safe or whether it will pollute the environment or whether it is environmental protection. Lastly, "easy to use" and "appearance" also the factors of consideration, so during operate leasing plan, the advantages of product's functionality, the brand and the price should played out as much as possible.

Leasing plan as new conception was accepted by people gradually. With the awareness of the environmental protection, home aesthetic, as well as the impact of fast lifestyle, electrical leasing will be "onto the highway."

## **6.2. Marketing Mix Strategy**

Doing the marketing mix for the Haier refrigerator, it will provide market info and will help us to offer the product with the right combination of 4Ps, and Haier can improve their outcomes and marketing effectiveness in refrigerators with 4Ps.

### **6.2.1. Product**

Pan Shiyi, CEO of SOHO Modern City, said that "the product is always the cornerstone of marketing, the marketing enable to operate by the product's quality." The success of Haier's products relies on independent research and development, and reducing costs by using new technologies, ensure product quality under the premise of achieving the lowest cost, by doing that, Haier successfully build a civilian brand. Haier product design is the Red Sea strategy with increasing product performance, functionality to cater the consumer's demand of different levels of home appliances.

Product brand create advantages

Haier brand advantage is a master card. A single brand strategy refers to use the same brand in a variety of products, once a brand gains a success, thus this success impact will extend to other products. Haier single brand strategy's specific content: (1) Haier adopts a complete single brand strategy. for Haier enterprises, refrigerators, air conditioners, color televisions, computers and mobile phones, and so on, all the products are used Haier brand, therefore forming a spectacular Haier family. (2) Haier also apply 'single brand strategy' in the enterprise as well as brand, and by implementing the strategy which could reduce communication costs while promoting the brand publicity, because customer is likely to regard every brand's activity as the activity of enterprises, also making business behaviors associate with the brand itself. The interact form of the brand assets made the accumulation of assets more rapid and effective.

## **6.2.2. Price**

### **6.2.2.1. Price Strategy**

#### **6.2.2.1.1. Haier product pricing strategy is skimming pricing.**

The pricing overwhelms the acceptable value of most potential customers. Which makes margin from the small segment of customers who have low price sensitivity. The premise of this pricing strategy is that the company must have some methods to prevent low-price competitor such as patents or copyright, brand reputation, the right to use scarce resources, the optimal distribution channel priority

#### **6.2.2.1.2 Haier price principles**

- (1) Product price is the product value realized by the clients.
- (2) Clients emphasize on product value more than product prices;
- (3) The real problem is the worth, not the price.

### **6.2.2.2 Haier market price war**

Adjusting the integration of all their resources with fastest rate in order to cater the user's personalized needs. Because the deducing price will bring risks, it includes:

- (1) Corporate image errors: declining the consumer's expectations in brand image;
- (2) Low quality errors: consumer recon the product quality is lower than that of competitors the high price.
- (3) Fragile market share errors: low-cost gain the market share, but can not gain the market loyalty. Therefore, if only considering the price, the customer will turn to another lower-priced product

Haier's pricing strategy is not simple used to sell product, but the strategy is attached to the corporate brand image and the price of perfect service. This price strategy won the hearts of consumers, also won the respect and admiration of peers and won the market. Haier always makes services perfect with the increasingly development in technology filed, in this day and age, product quality is not the focus of consumer chase anymore, because the technology and quality of each product are not length of a street. At this point, the service will determine the

success or failure of enterprises in the market competition. there is no doubt that Haier is one of the best: adhere to provide free 24-hour telephone service, on-site service within 24 hours, all service staff have been rigorous trained, uniform dress, unified language, uniform standard system, so that consumers will really feel the "God" treatment. Haier is not just talk about it, more importantly, it can consistently adhere to it. It can be said that Haier's services in the country is unique.

### **6.2.3. Place**

The functions of place include distribution channels, storage facilities, transport facilities, and inventory controls. According to the leasing plan , it just started with inadequate capital , resource investment and marketing personnel less actual situation, thus it can be taken to direct supply distribution approach and built own marketing network.

The direct supply distribution method is independently operated by the manufacturers without the wholesale part in the middle and directly from supplier to the retailer. Haier direct supply distribution method utilizes the characteristics of the products, such as a mess of product categories, high-profile and so on to integration and set trade company at first-class cities, set marketing center at second-class cities and set specialty stores at third-class cities, moreover, to take the way of franchise, and establish specialty stores, through a comprehensive display of goods to enhance the image of brand and improving the popularity and credibility of Haier brand, while promoting product sales. The company built a series of stores for the brand building, which will help improving the brand.

### **6.2.4. Promotion**

"Haier, made in China" advertising is simple and sincere, vocal and forceful, which illustrate that Haier attempt to gain a global market. This message is very conducive to remember from a consumer's perspective. The slogan "Haier, made in China" informs that Haier should make people from different counties know "Haier" this brand, acquiring competitive quality and technology in the international market on the world, change the bad image of the product that made in China.

"Sincere forever" this slogan is that highly concise of Haier quality service, putting emphasis to communication with consumers' feelings, building good friendship with costumers, therefore enhancing the clients' trust to Haier.

For advertising prospective. Haier has completed the first Chinese series cartoon named "Haier brothers" with 106 sets which are children's educational series and through the animation create the interaction and the sympathy with the future electrical appliances buyer - children and adolescents therefore shaping, dissemination and maintain the Haier's corporate image in group of the most potential society target.

### **6.3. Market study**

According to the plan, (the research was made from 21.10.2016 to 26.10.2016). In this research the geographical area used for questioning people was Shanghai. The potential market considered for this survey were the young people from Shanghai with ages between 22 and 26 because they seem to fit to our plan for Haier. The sample size of the survey was 100 and the sample error +/- 10%. Customer profile was built on people with EDU background (higher EDU) and with an income of 2000-4000 Yuan.

#### **6.3.1. Some of the questions and their meaning:**

Do you always purchase our Haier products?

– It is very important for the accuracy of the study that those questioned to be customers of Haier.

What is your financial habits?

– Another important element to determine if Plan will be successful is to find out what income have people whom it is addressed this kind of questionnaire.

Where do you usually purchase our products?

-This question is very important and will help us to determine if the customers prefer to buy Haier products directly from store or they prefer to buy them online.

Compared with purchasing new product, do you prefer renting it?

- It is important to see in which way the balance leans between buying and renting to can deduce the success rate of the plan

How do you think about our project`s prospect?

– After an accurate analysis of the responses, we could conclude that 52% people are optimistic about our project future, 28% people are negative about our project future, 12% of those polled give a neutral point and 8% didn`t answer. Following the result, we can say that the project has a high success rate.

## 7. The Infrastructure

According to the above described analysis and planning of the current market in different aspects and the determination of marketing strategy and target market selection which provide the effective information for next implementation.

### 7.1 Office layout

#### 7.1.1. Qualitative analysis of leasing plan sector

1. Cutting-edge
2. Bridge function
3. Requirements

Leasing plan sector as a new department which is different from other sectors due to the property. First of all, high innovation demands that put the sector at the forefront, and requiring the depth research to the change of market, so the work of this sector is tedious and requires extremely careful, Secondly, in terms of image, a new division of the company represents a new image that is reflected in the company culture. Furthermore, the new sector as a bridge between the customer and the company due to particularity of the sector which need market analysis and breakthrough, new sector continues to put a lot of the latest customer's feedback to the company, it can be said that this sector is the bound of the customer and the company.

Based on these characteristics which require staff in this sector doing work in principle and dealing with things flexibly and serious, they should have a high capacity for coordination as well as require organizational capacity to withstand the pressure on work. In the new sector, staff should cooperate and co-ordinate fully with each other, clear contribution to work in tasks to create a relaxed but rigorous work atmosphere.

Leasing department is unique, but it does not exist in isolation, it is based on the production sector and other sectors and should able to communicate effectively with other departments of this company.

### **7.1.2. Work flow of leasing plan sector**

1 External

2 internal

3 requirements

Generally speaking, the main work includes the external contacts and the internal systematic work, external contact includes contact with the outside with the transport company and with the warehouse as well as contact with bank and cooperate with major network platforms and payment platforms. The external communications always in a border area, so it needs doing step by step, and with a reasonable arrangement to complete. In order to avoid unnecessary waste of time and money, there is not allow to have faults between every link.

The mainly internal work is cooperating with other sectors, such as producing sector (demand for goods) and human resources sector (staff exchange and supply timely) and finance sector (capital input and output) , and other sectors.

From the main characteristics of the work, work is mainly to complete the task by means of communication to convey, specifically to converts the text and more abstract order to actual goods, so the main internal works of leasing plan sector are how to communicate effectively, and coordinate all aspects of the contact, work efficiently and orderly arrangement, it is based on other departments, and organizations of other departments.

Lease plan sector is not an independent sector, it is an assist sector over foundation and production sector, of course it also need strong support from the other departments , so that work can do effective and orderly. So the internal and external communication work are play crucial roles in the leasing plan sector.

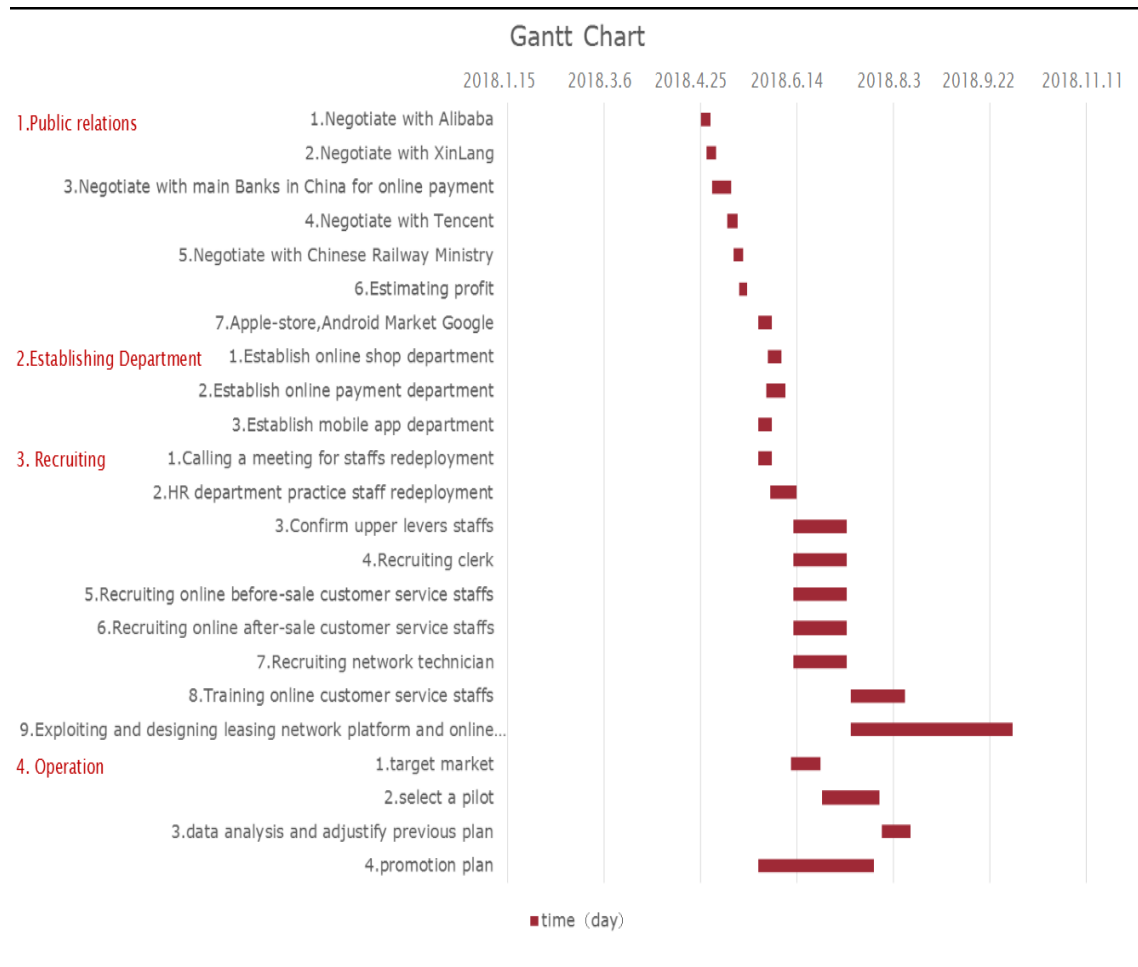
### **7.1.3. The purpose of leasing plan sector**

Leasing plan sector is the base of the whole plan, providing conditions for the whole plan to operate smoothly, and it is indispensable.



## 7.2 Organizational chart

Figure 3--Gant chart



### Steps:

**Step 1. Public relations:** The public relations activities' period is needed almost one month from 25.04.2018 to 31.05.2018.

First, Haier need to negotiate with Alibaba about Alipay, Taobao and advertising for the duration of 5 days from 25.04.2018 to 29.04.2018.

Secondly, the company have to discuss with Xinlang about the marketing of Weibo also for a period of 5 days from 28.04.2018 to 02.05.2018.

Thirdly, Haier must discuss with banks like China Union Pay, BOC, ICBA, AOBC, CCB, CMB, CEB, CMBC, CITIC and Industrial Bank about the mode of payments during 10 days from 01.05.2018 to 10.05.2018.

Fourthly, Haier need to negotiate with Tencent about marketing of Wechat and QQ for a period of almost 5 days from 09/05/2018 to 13/05/2018.

Fifthly, the corporation must discuss with Chinese railway Ministry to get the support of national policies. During 5 days from 12.05.2018 to 16.05.2018.

Sixthly, Haier need to estimate the profit and it has available about 4 days for this from 15.05.2018 to 18.05.2018.

Seventhly, Haier must negotiate with Apple-store, Android market and Google play to can place their product on the smartphone market. They need about 7 days for this from 25.05.2018 to 31.05.2018.

**Step 2. Establishing Department:** For establishing renting department we need about 2 weeks from 30.05.2018 to 07.06.2018.

First we will start with an establishment of an online shop department, for this we will need about 7 days from 30.05.2018 to 05.06.2018.

Secondly we will establish a Mobile app department in almost 10 days from 29.05.2018 to 07.06 2018.

Thirdly we will need also 7 days from 25.05.2018 to 31.05.2018 to establish an online payment department.

### **Step 3. Recruiting:**

For recruiting we will need about 5 months from 31.05.2018 to 12.10.2018

First we need to call a meeting for staff redeployment, during 25.05.2018 to 31.05.2018, about 7 days.

Second we need to redistribute HR department practice staff. That will last about 14 days, from 31.05.2018 to 31.05.2018.

Third to confirm the upper levers staff like minister marketing staff. That will last about 28 days, from 12.06.2018 to 12.07.2018.

Fourth, we have to recruit clerk, which will last also 28 days, from 12.06.2018 to 12.07.2018.

Fifth, we will have to recruit online before-sale and after-sale customer service staff and from 12.06.2018 to 12.07.2018, also about 28 days.

Sixth, we will have to train online customer service during 12.06.2018 to 12.07.2018, about 28 days.

Seventh, we need to recruit a network technician from 12.06.2018 to 12.07.2018, also about 28 days.

Eighth, we have to exploit and design leasing network platform and online payment platform. We need like 84 days for this from 12.07.2018 to 12.10.2018.

#### **Step 4. Operation:**

For operation we will need about 4 months from 11.06.2018 to 12.10.2018.

1. Target market: For target market we need almost 15 days from 11.06.2018 to 26.06.2018. and a budget of €1,232,876.7. Mainly we have to focus on the market in the five top most important cities: Beijing, Shanghai, Guangzhou, Shenzhen, and Hangzhou. Haier gets always the biggest profits from this region because they have developed economies in terms of capital and this cities also own an outstanding human resource in China so we will make a plan in order to invest our capital into this five towns as our main market.

2. Set a pilot. For setting a pilot we need about 30 days from 27.06.2018 to 27.07.2018. and a budget of €23,287,671. We will offer one-month, the first one, a free trial for 1000 products

in each city to can make a research before enter in the local market. We will offer a free trial randomly and we will collect the data till the last detail of the project.

3. Data analyses and justify plan. For this we will need a budget of €136.986 and about 15 days from 28.07.2018 to 11.08. 2018. For this we need to focus on the manoeuvre ability of our project according to the data analysed and also to ask for a feedback from the selected applicants. And then based on the feedback we can justify our new plan for the logistics and distribution of warehouse on the other cities of China. Use of the previous logistics services in order to complete the point to point structure of logistics and aims to save time and money.

4. Promotion plan. For this plan we will need about 60 days, from 25.05.2018 to 24.07.2018 and a budget of €16,438,356. According to the budget for advertising, we will invest in some advertising channels to improve the awareness and reputation of our product by various promotional literates, getting exposure in the circle of our target customers.

## 8. Financial Plan

### 8.1. Financial budget

#### 8.1.1. Sales budget

**Table 2 --Budget sheet**

	First year	Second year	Third year	Forth year	Fifth year
Excepted sales over	23,484	30,529	37,574	44,619	51,664
Unit-price(€)	38.5*12	38.5*12	38.5*12	38.5*12	38.5*12
Expected income(€)	10,849,608	14,104,398	17,359,188	20,613,978	23,868,768
Total(€)	10,849,608	24,954,006	42,313,194	62,927,172	86,795,940

**Table 3 --Tariff**

Product	Fridge€	Rent€	Rent(month) €	Profit(month)€	Total profit(2years)€	Old product>12 mounths 20%discount
	616.5					
Month		6.40%	39.5	22.4	537.6	
Quarter		6.24%	38.5	21.4	513.6	
Year		5.76%	35.5	18.4	441.6	

**Table 4--**The net inflow of population number chart

City	Shanghai	Shenzhen	Guangzhou	Hangzhou
<b>Population number</b>	<b>953,500</b>	<b>755,590</b>	<b>461,590</b>	<b>179,680</b>

Budget sheet made based on tariff and the net inflow of population number chart for the break down excepted sales over according to the net inflow of population number chart. The first year 's excepted sales made as 1% of net inflow of population number therefore With an annual growth rate of 0.3%, taking into account the possibility of some unplanned population. As for the Unit-price which be chosen as quarter price of tariff because the price is the mean of all of the prices and every refrigerator cost price is €411 and market price is €616.5 ( $€411 * (1+50\%) = €616.5$ ) , so profit is €205.5 ( $€616.4 - €411 = €205.5$ ) , the leasing plan decided the lease life of goods as 2 years thus the per month valve of every refrigerator is €17.1 ( $€411/24 = €17.1$ ) , This plan involves renting Haier products online and along with them Haier is offering a free of charge installation service. If customers want to rent an appliance for a period longer than 2 years, they will not need to pay any more in the future, the appliance is considered as sold to the client. The renting price varieties between 5.76% and 6.40 % of original price. If the appliance is not a new one, clients could rent it by 20% discount. The clients who rent an appliance for a period longer than two years will not pay extra because the appliance will be sold to them.

### 8.1.2. Inventory budget

**Table 5--inventory budget (€)**

	First year	Second year	Third year	Forth year	Fifth year
Volume of lease	23,484	30,529	37,574	44,619	51,664
Initial inventory	0	116	87	113	97
Ending inventory	116	87	113	97	133
Total inventory	23,600	30,500	37,600	44,600	51,700

Inventory budget table illustrates 5 parts of inventory. The exceptive volume of leasing, initial inventory, ending inventory and total inventory, the exceptive volume of leasing is from 23,504 to 51,708 during five years. So total inventory follows raising from 23,600 to 51,800.

### 8.1.3 Employee Wage Budget

**Table 6 --Employee Wage Budget**

Stuff classify and number of people		Wage (€)
Manager level	Department Manager (1) , Project Manager (2)	1,096-1360
Section chief level	1, Chief editor (1) , legal adviser (1) 2, Accountant / auditor (2) , manager assistant (1) 3, Center director (1) , rationalization proposal manager (3) , customs declaration (3) 4, Accounting and Payroll Specialist (3)	822-1096
Commissioner Level	1, Senior technician (4) , teller (3) 2, Secretaries (4) , reserve cadres (2) , departmental commissioners (2) 3, Copywriter (4) , reserve cadres (4) , departmental commissioners(4) 4, Four cities sites administration (5)	685-822
Group leader	Send and receive personnel(10), material control(10),	616-685
Employee level	Driver(25), plumber(25), maintenance workers(25), miscellaneous workers of Administrative Services Department ( 25 ) , cleaners ( 10 ) , production management center porters (10)	548-616

Employee Wage Budget table classify the staff with five level and the salaries are also different from €1,096-1,360 to €548-616 based on their job.



### 8.1.4 Cash out of the budget

**Table 7--** Cash out of the budget

Item expense (€)	First year	Second year	Third year	Forth year	Fifth year
Employee's swage	114,248	118,886	123,524	128,162	132,800
Product Cost	9,660,144	12,558,105	15,456,066	18,354,027	21,251,988
Other Payment:					
Electricity	822	822	822	822	822
Shop rent	6,850	6,850	6,850	6,850	6,850
Office expenses	1,000	1,000	1,000	1,000	1,000
Warehouse charge	8,220	8,220	8,220	8,220	8,220
Total	9,789,914	12,693,883	15,596,482	18,499,081	21,401,680

From the chart we can clearly see that employee's swage and Product Cost grow with year. Other payment as electricity or shop rent and so on are not change in the five year therefore the total cost also shows an up tread.

## 8.2. Cash flow budget

### 8.2.1. Investment cash flow budget

Investment in Fixed Assets: As the project is sold on the Internet, there is no excessive requirement for the assets.

Current assets investment: Electricity, shop rent, office expenses, warehouse fees, wages.

### 8.2.2. Operating cash flow budget (assuming no tax adjustment)

**Table 8--** Operating cash flow budget

(€)	First year	Second year	Third year	Forth year	Fifth year
Sales revenue (1)	10,849,608	24,954,006	42,313,194	62,927,172	86,795,940
Cash out of the budget (2)	9,789,914	12,693,883	15,596,482	18,499,081	21,401,680
profit before tax (3) = (1) - (2)	1,059,694	12,260,123	26,716,712	44,428,091	65,394,260
Income tax (4) = (3) * 25%	264,923.5	3,065,030.7 5	6,679,178	11,107,022. 75	16,348,565
Net profit after tax (5) = (3) - (4)	794,770.5	9,195,092.2 5	20,037,534	33,321,068. 25	49,045,695
Net cash flow (6) = (1) - (2) - (4)	794,770.5	9,195,092.2 5	20,037,534	33,321,068. 25	49,045,695

Operating cash flow budget table show that the relationship between sales revenue and cash out of the budget and profit before tax and income tax , net profit after tax and net cash flow, overall, the change is on the rise.

### 8.2.3. Cash flow budget summary

**Table 9--** Cash flow budget summary

	Beginning	First year	Second year	Third year	Forth year	Fifth year
Initial period cash flow	-800,000					
Operating period cash flow		794,770.5	9,195,092.25	20,037,534	33,321,06 8.25	49,045,695
Disposal period cash flow						800,000
Net cash flow	-800,000	794,770.5	9,195,092.25	20,037,534	33,321,06 8.25	49,845,695

In cash flow budget summary table which set net cash flow as -5,500,000 according to the net cash flow of first year and following with up tread in next 4 years.

## **9. Conclusion**

This plan uses the relevant principles of marketing, analyzing through the market environment and Haier's basic situation and proposing the leasing plan for Haier Company therefore making a series of plans and arrangements.

first of all the plan introduced the actual situation of Haier, and explained the importance of this plan, and in-depth analyzed the overall marketing environment, then analyzed Haier products industry by PESTEL, with the use of SWOT tools, analyzing the current market opportunities and threats which Haier's products are faced with, and the advantages and disadvantages which Haier's products have, combining with these factors for develop a suitable direction of the leasing plan.

Then, this thesis made a specific market segmentation for the leasing plan , combined with Haier's resources and advantages of various reasons, determined the leased products' target market and market positioning, so that the whole plan could be more targeted.

In the end, according to the actual situation, the use of 4ps - products, prices, channels, and promotions made a detailed plan and arrangement. Moreover, this thesis also detailed description of the organization and operation of the plan, as well as the financial forecast.

The only drawback is that Haier's products have been committed to physical sales without online sales experience, not to mention online leasing, so the plan is basically to explore in advance, we can only base on a rough estimate of market research, may be which could influence the quality of this proposal in a certain.

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