

Situation Analysis of Midea Company

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Abstract

Midea Group, one of the famous companies in China, is known for its outstanding achievements in the field of household appliance. Under the guidance of diversification strategy, it has successfully occupied a broad market share and shown remarkable growth potential. Looking into the future, with the in-depth development of global economic integration and the continuous progress of science and technology, Midea will continue to adhere to the innovation-led development, constantly promote the upgrading of products and services, and is committed to building the world's leading provider of household appliances and intelligent solutions. This article is aimed to conduct a comprehensive situation analysis of Midea. In this article, the overall information of Midea will be displayed, including its ownership structure, vision, mission, and core values, etc., so that readers can have a detailed understanding of the company. In addition, Midea's product analysis, industry and market analysis will be performed, so that its marketing situation and competitive advantages can be further analyzed. Finally, two critical success factors of Midea will be listed to identify the reasons for its current success and strong market share. Also, in order to ensure its future performance growth, industry-related concerns and market-related concerns will also be discussed to analyze some potential risks and strong competitors.

Keywords: household appliance, strategic analysis, marketing strategy, performance concern

1. Introduction

Midea Group, as a leader in China's business community, was ranked in the list of China's top 100 companies, and its share in the domestic and foreign markets is remarkable, showing a very strong company strength. In the environment of fierce business competition, Midea has always been unremittingly pursuing technological innovation and business expansion, constantly expanding its business field, and realizing all-round development. With the progress of science, technology and industrial upgrading, Midea keeps up with the pace of times trend,

invests heavily in research and development, and promotes the emergence of a series of innovative products, which not only enhances the core competitiveness of the company, but also brings consumers more intelligent and convenient life experience. Through continuous R&D investment and intelligent transformation, Midea has made remarkable achievements in household appliance fields, and achieved sustained and stable profits, injecting confidence into investors and the market.

2. Company Summary

Midea Group is a giant comprehensive company

group whose main business covers the household appliance industry, and it is also involved in many other technology fields. As an important driving force for China’s economic development, Midea occupies a pivotal position in the household appliance industry. It not only performs well in the domestic market, but also has a very high competitiveness in the international market, bringing a better life experience to global consumers. Midea has become one of the most important white household appliance production and export bases in China. Its strong comprehensive strength and brand influence have won wide recognition from all walks of life.

2.1 Ownership Structure

Xiangjian He, the founder of Midea, is the actual controller of the company. He holds a 30.89%

share through Midea Holdings Limited. Midea adopts a professional manager system, and its chairman Hongbo Fang, personally holds 2.09% of Midea’s shares. At the same time, some other institutions are also one of important shareholders of Midea (Midea, 2023a). According to Figure 1, top 10 shareholders of Midea and their respective shareholdings can be known.

These shareholders have formed a mutually beneficial relationship with Midea, and jointly witnessed the glorious process of Midea growing from a local company to an international famous brand. Through this diversified shareholding structure, Midea can continuously explore new markets and business areas while maintaining a stable development.

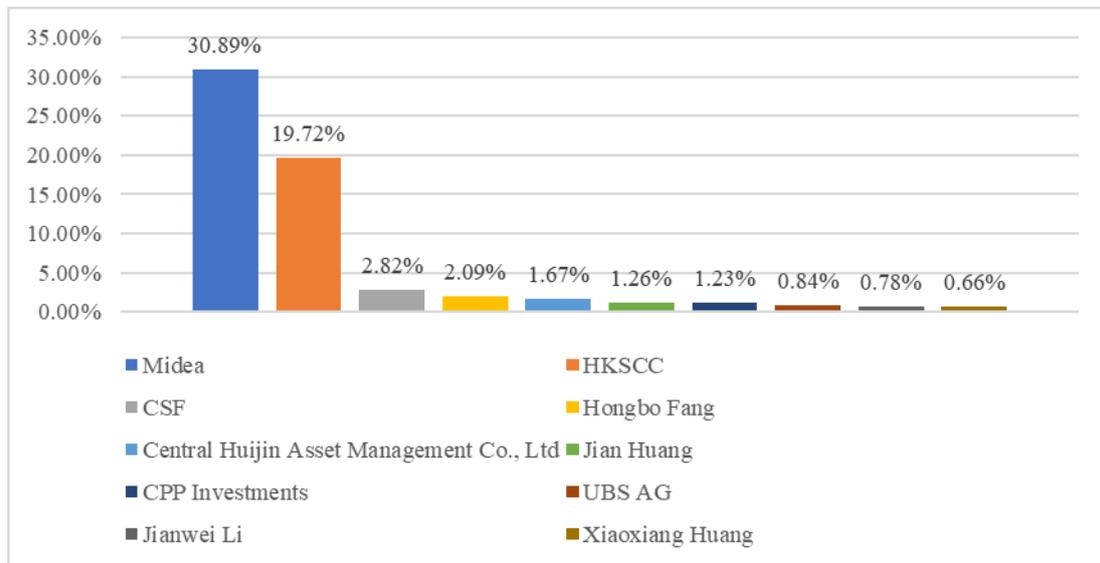


Figure 1. Ownership Structure of Midea

2.2 Vision, Mission and Core Value

Midea’s vision is “Technology is Perfect, Life is Perfect”, which reflects its unremitting pursuit of the high use of science and technology with the perfect combination of human life. Advanced technology is widely applied in all kinds of household appliances, and then brings unprecedented convenience and comfort to consumers. Midea’s mission is “Connecting People and All Things, Enlightening the World of Beauty”, which reflects that through unremitting technological innovation. It can constantly optimize product performance, improve service experience, and make people’s life more efficient. Over the years, Midea has

always adhered to its core value — “Sense the Future”, and it always maintains a keen insight into the future technology and a strong sense of innovation, insisting customer needs oriented and promoting the deep integration of technology and life, to meet their yearning and demand for a better life in the increasingly changing social environment (Midea, 2023b).

2.3 Core Purpose and Strategic Intent

For Midea, its core purpose is to become one of top five global household appliance brands, and strive to become an internationally recognized well-known brand to attract a wider range of customer groups. To achieve this ambitious goal, Midea has developed a series of strategic intent

– “Leading technology, Driven by digital intelligence, Direct access to users, and Global breakthroughs” (Midea, 2023b). It establishes strategies from different aspects, such as core technology innovation, deep exploration of customer needs, and expanding the market scope, with the aim to comprehensively enhance their comprehensive competitiveness, constantly promote the innovation and development of the household appliance industry, thus providing global consumers with high quality, high efficiency, high intelligent products and services.

2.4 Resources and Capabilities

Midea focuses on its R&D and innovation capabilities, builds a “2+4+N” global R&D network, and establishes R&D scale advantages. It now has 35 R&D centers in 11 countries, of which 18 are located overseas, such as Silicon Valley Emerging Technology Center and German R&D Center (Midea, 2023c). The

establishment of these overseas R&D centers has enabled Midea to follow the global technological trends and integrate advanced technology into its products. In terms of product business, Midea’s main smart products currently cover more than 200 countries and regions around the world and has successfully developed a number of sub-brands for different markets and consumers, providing them with more personalized and diversified choices. Nowadays, Midea has more than 40 production bases around the world, and its multiple product lines have become one of the world’s leading manufacturers, which not only demonstrates the strength of Midea in the manufacturing industry, but also is the best proof of the successful implementation of its globalization strategy (Midea, 2023d). Figure 2 shows the global distribution of Midea’s production bases.

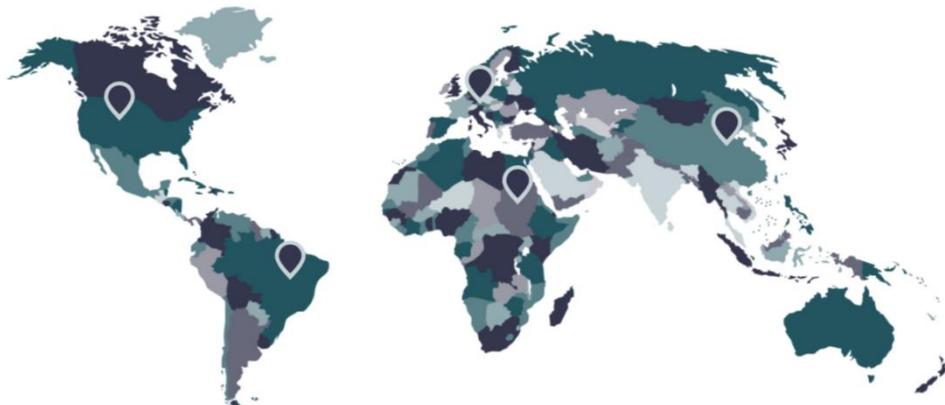


Figure 2. Midea’s production bases

2.5 Environmental and Societal Value Creation

Midea has always been adhering to the concept of sustainable development, taking the “green strategy” as a long-term solution for company development. The core of this strategy is in seven aspects: green design, green purchase, green manufacturing, green logistics, green recycling, and green service. It is committed to achieving green environmental protection in all aspects, in order to reduce the damage to the natural environment, and actively respond to the national policy call for energy conservation and emission reduction. Midea has set a clear goal of reducing energy consumption per unit of GDP by 20% by 2025 compared with 2020, and the proportion of clean energy is expected to

reach more than 10% (Midea, 2023e). At the same time, Midea actively participates in social welfare undertakings, especially in the education of teenagers. By organizing various forms of technical training and educational activities, Midea aims to stimulate students’ innovative thinking, improve their scientific literacy, and lay a solid foundation for their future scientific and technological development. Midea group has invested up to ¥30 million in public welfare undertakings, which is used to support the rural revitalization program. Through these efforts, Midea has realized more than 200 rural assistance projects, which have greatly improved the living conditions in the rural areas and promoted the rapid

development of the rural economy (Midea, 2023f).

2.6 Increase in Financial Performance

In recent years, Midea has achieved rapid growth in its business areas. This growth is not

only reflected in the continuous expansion of its business scope, but also in the steady improvement of its product quality and the significant increase in profitability.

(RMB million)	2017	2018	2019	2020	2021	2022
Total Revenue	241,919	261,820	279,381	285,710	343,361	345,709
Gross Profit	60,252	71,500	80,302	67,423	76,707	83,379
Operating Revenue	21,628	25,564	29,683	31,493	33,281	34,763
Net Profit	18,611	21,650	25,277	27,507	29,015	29,810

Figure 3. Midea’s financial information

According to Figure 3, it can be concluded that Midea’s net profits has been growing in recent years, reaching ¥29,810 million in 2022. In the past three years, despite the pandemic period with full uncertainties and challenges, relying on excellent technical ability and product quality, Midea can still maintain considerable net profits, and achieve steady development.

3. Product Analysis

For any company, in order to highlight its uniqueness in the fierce market competition, its products must be unique and innovative, while also ensuring the effective control of production costs, so as to have a competitive advantage in the price. In addition, the product also needs to be significantly different from similar competing products to meet the diversified needs of consumers. (Aumayr, K. J., 2023). Midea is very successful in product marketing, and its strategy is in line with the market and is deeply appreciated by customers.

3.1 Product Mix Description

A product mix refers to a range of products or services that a company offers through various operations (Davies, N., 2023). Midea’s business covers five major sectors: electronic consumption systems, building systems, electromechanical business, robotics and automation, and digital innovation. Such a diversified business layout makes it has a strong product advantage, especially in the field of household appliances, such as air conditioners, refrigerators, washing machines, and so on. Midea has always been focused on the establishment and development of the IoT platform, in order to realize the comprehensive

digitalization and intelligence of household appliance products and provide consumers with more convenient and efficient use experience (Midea, 2020).

3.2 Brand Positioning

Brand positioning is a crucial strategic task, which needs to clearly point out what factors make the brand unique in the fierce market competition, and how its brand can build a strong image in the minds of consumers that cannot be imitated or replaced (Reed, P., 2014). When it comes to Midea, customers may think Midea is a superior technology company for heating ventilation air conditioning, household appliances, robotics and industrial automation systems. Such brand positioning is not only consistent with Midea’s marketing strategy, but also can highlight its leading position in the entire household appliance industry. At the same time, it also reflects the importance of Midea to technology R&D, which is committed to realizing the intelligence of products through technological innovation, so as to bring more convenient life experience to consumers.

3.3 Market Definition

When a company is ready to conduct marketing, it must consider the scope of the market it wants to enter, that is, based on the existing market segmentation or possible market segments in the future, accurately identify the target customer group. Then, the company needs to develop appropriate marketing strategies around the needs of these target customers, aiming to effectively meet and exceed their expectations (Li, J., & Liu, W., 2013). Midea has a wide range of businesses, with multiple market segments.

For existing market segments, its smart home is committed to providing customers at all stages with experiential smart services. Whether in the initial design stage of family life, or in the continuous maintenance of daily use, Midea hopes to bring unprecedented convenience and pleasure to customers through smart home solutions. Its industrial technology focuses on R&D, producing and selling core precise components, providing green and efficient products and technical solutions for a large number of industrial companies around the world. At the same time, Midea is also actively expanding its potential market segments. Its automation and digital innovation businesses are working to help emerging companies overcome their growing challenges by providing advanced software applications and unmanned automated sales solutions.

3.4 Distribution Channels

Consumers are able to access the goods or services they need through a variety of distribution channels, ranging from large retail chains to small retail stores, and a variety of wholesalers (Fałkowski, J., & Chlebicka, A., 2021). For Midea, its distribution network is extensive, especially in most cities, where self-operated stores play a crucial role at the core of its distribution system. In order to gain more customer attention, it has also set up marketing counters in some large supermarkets as a platform for publicity and sales. In the booming digital age, Midea vigorously develops and uses the Internet technology, which is committed to build a comprehensive online e-commerce platform, greatly improve the convenience of customer shopping, not only let consumers can browse and buy products through the Internet anytime and anywhere, but also further expand the market influence and sales scope (Shastri, A., 2022).

4. Industry Analysis and Market Analysis

In this part, in order to make comprehensive situation analysis, the industry and market situation will be analyzed.

4.1 Macro Environment Factors

As a large-scale company, the macro environmental factors greatly affect Midea's strategies, such as political factors and technological factors (Khan, U. U., Ali, Y., Petrillo, A., & De Felice, F., 2023). Understanding and adapting to macro environmental factors and integrating them into the company's

strategic planning is the key to ensure the sustainable and stable development of a company. Midea needs to establish a flexible response mechanism in order to remain competitive in a complex and volatile macro environment and achieve long-term strategic goals.

4.1.1 Political Factors

Recently, the Chinese government attaches great importance to environmental protection and has put forward a series of policies aimed at reducing environmental pollution and promoting green development. In this context, Midea actively responded to the call of the country, and quickly promoted the green transformation process of companies. Since 2021, Midea has successfully established the transformation goal, and vigorously promoted the green transformation strategy in many business areas, and actively explored the development path in line with the requirements of the new era. For example, in production and manufacturing, Midea pays attention to the development and utilization of green and clean energy, implementing green strategies such as harmless raw materials and waste recycling, striving to minimize the environmental impact. Also, within the company, especially at the management department, they incorporate the green strategy into business indicators and promote energy conservation and emission reduction of the entire industry chain through innovation. Therefore, Midea's green strategy is in line with China's policies, and will be encouraged and supported by the government to play a positive role in the realization of China's environmental protection and sustainable development goals.

4.1.2 Technological Factors

China's technological environment provides both opportunities and challenges for Midea. The rapid rise of China's Internet technology and various emerging technologies has undoubtedly brought great pressure to the traditional household appliance industry. People's demand for intelligent systems is also gradually changing, and higher requirements have been put forward for the innovation ability and technical strength of the household appliance industry. Therefore, Midea has implemented the digital transformation strategy, with the core of transforming from the scale orientation and efficiency orientation to a

greater focus on innovation and technical strength orientation. Midea has actively shifted from traditional manufacturing to intelligent manufacturing, from a single product production to a more comprehensive smart home solution. In order to realize this transformation, Midea has invested a lot of resources, through automation, intelligence, information and other means, greatly improve

the production efficiency. At the same time, Midea is constantly optimizing its product structure and innovating its product functions to meet the growing needs of the market and consumers. All these efforts have made Midea's product competitiveness and profitability have been significantly improved (Xin, G., 2019).

4.2 Market Size

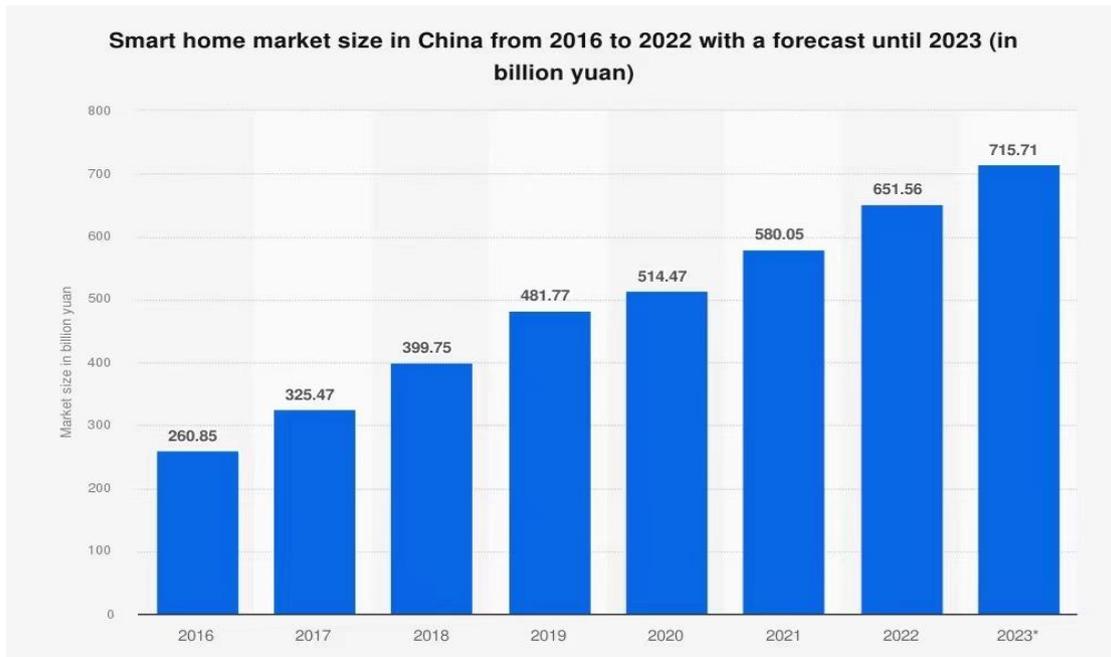


Figure 4. Smart home market size in China from 2016 to 2022 with a forecast until 2023

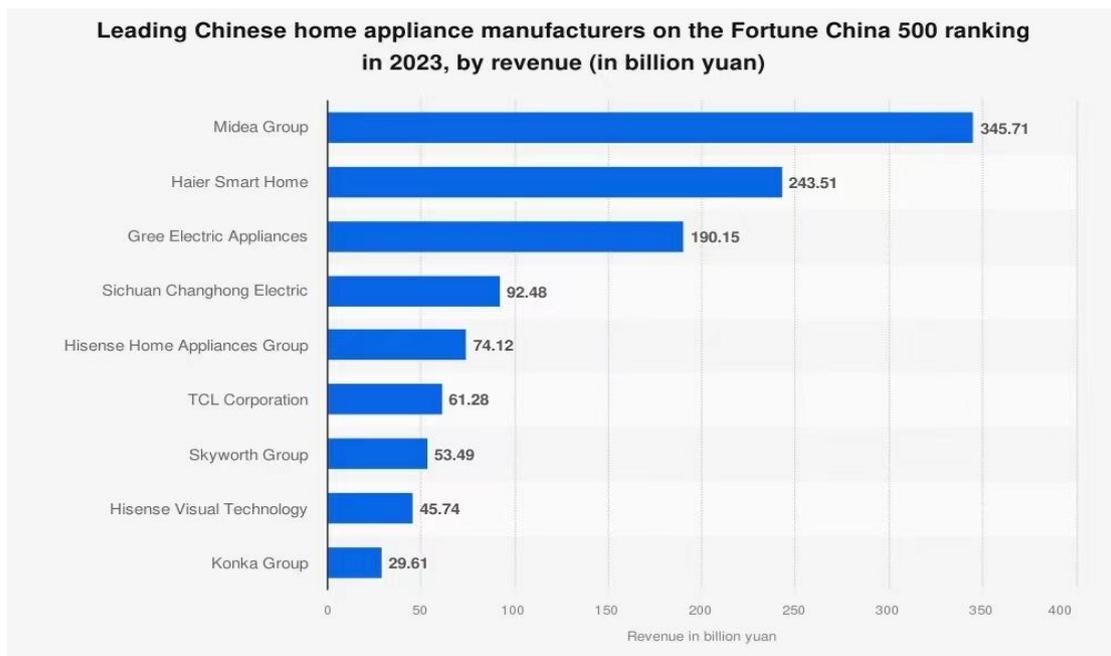


Figure 5. Leading Chinese home appliance manufacturers on the Fortune China 500 ranking in 2023

According to Figure 4 and 5, the scale of China's household appliance market is continuing to grow, among which Midea stands out among many companies with its outstanding leadership, and now occupies the first place in the market with its significant revenue advantage. In the past few years, Midea has been committed to continuous scientific and technological innovation, diversified sales channels and multi-brand strategic layout. The implementation of these strategies has enabled Midea to comprehensively improve in product performance, service quality, brand influence and market competitiveness. Through continuous consumer market research, Midea can accurately grasp the needs of consumers, launched a variety of products to meet different consumer groups, thus winning the trust and praise of the majority of customers. This customer-oriented business philosophy not only helps Midea to stand firm in the fierce market competition, but also effectively increases its share in the household appliance market and consolidate its position as a market leader.

4.3 Target Customer Profile

Midea's customer group is mainly aimed at those who pursue the high quality of household appliances. They not only pursue the basic functions and performance of household appliances, but also pay more attention to personalized and differentiated use experience. This customer group is usually those who have a strong interest in technological innovation and intelligent convenience, and they want to improve their quality of life and happiness through their household appliances. Therefore, when they make choices, they tend to be more

inclined to those companies with a good brand image and reputation. They believe that the brand is not only the guarantee of product quality and service, but also a reflection of their consumption level and social status. In order to meet the needs of these customers, Midea always adheres to the implementation of innovation strategy, constantly optimizes the quality of its products, and improves the brand image. Midea understands that only through continuous innovation and optimization, can customers get a better use experience, so as to improve customers' consumption satisfaction. Midea always believes that customer satisfaction is the source of the development of the company, only by meeting the needs of customers, can its company be in an invincible position in the fierce market competition. Therefore, Midea always put customer needs in the first place, go all out to provide customers with the best quality products and services.

4.4 Competitor Analysis

In the fierce market competition, the competitors in various industries will undoubtedly have a direct impact on the company's profitability and market share. In this competitive environment, the core competition points between companies often focus on the differentiation characteristics of the product, including but not limited to the product function, design, quality and service aspects. At the same time, companies also need to deeply analyze and explore their own brand value and product advantages, so as to develop more accurate marketing strategies and market positioning, so as to attract and expand the scale of target consumer groups (Paksoy, T., Gunduz, M. A., & Demir, S., 2023).

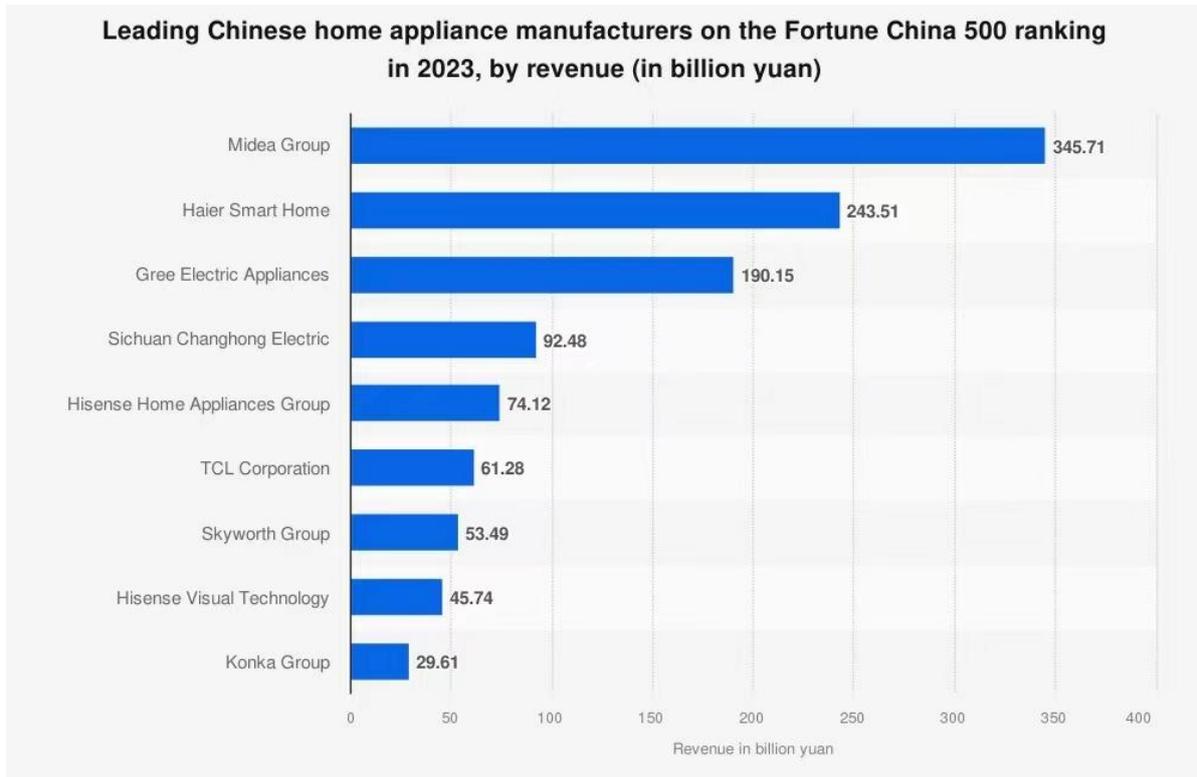


Figure 6. Leading Chinese home appliance manufacturers on the Fortune China 500 ranking in 2023

According to Figure 6, it can be concluded that in household appliance industry, Midea’s main competitors are well-known brands such as Haier and Gree, and among them, Midea ranks first, about 1.4 times more than that of the second place Haier, which implies that it has a strong level of competitiveness. In order to continue to face various challenges in the market, Midea relies on its outstanding scientific research strength and continuous innovation spirit, and constantly launches technology-leading household appliance products to the market. These products not only represent the highest technical level of the household appliance industry, but also meet the growing multi-level and personalized needs of consumers. Through this strategy, Midea aims to further expand its market share and consolidate its leading position in the entire household appliance industry.

5. Critical Success Factors

In the process of Midea’s development, especially in the past few years of the pandemic, it can still maintain its competitive advantage, and the main factors are the following two factors.

5.1 Excellent Technology Innovation

Midea is a company that spare no effort to pursue technological innovation, always aiming to surpass its competitors and maintain its leading position in the industry. Over the past five years, the company has spent more than ¥50 billion on R&D, a figure that fully demonstrates Midea’s commitment to technological innovation. It is this continuous investment in R&D that enables Midea to quickly occupy a place in the robotics and automation industry, and show great competitiveness in product quality and performance.

Through continuous technology R&D and market insight, the company has successfully launched a number of products with industry-leading level, and has won wide recognition from the market and customers. However, the outbreak of the global pandemic has brought unprecedented challenges to Midea. In the case of declining customer purchasing power and limited traditional marketing means, Midea quickly adjusted its business strategy, shifted its focus to improving internal efficiency, and accelerated the comprehensive digitalization and intelligent process of the company.

Midea’s efforts in digital transformation are not only reflected in the digitalization of products

and services, but also include the use of big data, cloud computing and the IoT and other modern information technologies to deeply transform the operation management and decision-making process of companies. Through the application of these technologies, Midea has realized the digital transformation of its products and services, greatly improved the operational efficiency and management level, effectively reduced the cost and risk, and injected new vitality into the development of the company.

Through continuous technological innovation and massive R&D investment, Midea has successfully realized its business transformation, which not only maintained the core competitiveness of the company, but also laid a solid foundation for its future development.

5.2 Outstanding Marketing Strategy

It is precisely because Midea Group has been investing a lot of energy and resources into product research and development for a long time, and finally, Midea has successfully cultivated many sub-brands and implemented a diversified brand development strategy. It owns several sub-brands such as COLMO, TOSHIBA and COOLFREE, each with unique product features and market positioning.

Through the implementation of this multi-brand strategy, Midea can carry out marketing communication in a wide range of market scope, and accurately capture and meet the needs of different market segments. This has not only greatly enriched the company's product line, but also significantly increased the brand awareness and market share. In today's era of information explosion, a single brand image has been unable to meet the diversified needs of consumers. Through the successful application of its multi-brand strategy, Midea proves that it is an effective means to adapt to market changes and improve company competitiveness.

At the same time, Midea also attaches great importance to the interaction and communication with consumers. In social media, content marketing and online activities, Midea actively communicates with customers, listens to their suggestions, and adjusts and optimizes its products and services accordingly. Especially during the global pandemic period, Midea has effectively enhanced its consumer loyalty and trust in the brand through these strategic market behaviors.

In the wave of globalization, international

marketing strategy has become the key for companies to obtain global market opportunities and attract more resources (Katsikeas, C., Leonidou, L., & Zeriti, A., 2020). Midea operates worldwide, covering more than 200 countries and regions. Facing the market characteristics and customer needs of different regions, Midea adopts precise market positioning and product differentiation strategy, in order to provide more suitable solutions for consumers in different markets (Midea, 2023g). This localized market strategy not only enables Midea to occupy a favorable position in the global market competition, but also significantly improves its market share and brand competitiveness, laying a solid foundation for its sustainable development and leading position in the industry.

6. Related Concerns

Although Midea's current development situation is good, there are still concerns that will affect its future performance.

6.1 Industry-Related Concern

For a long time, several major household appliance brands have played a key role in supporting the development of the entire industry. With their deep market foundation and extensive influence, these brands have occupied a large market share and become the benchmark and leader in the industry. However, with the rapid development of science and technology and the continuous emergence of innovative technologies, the pattern of household appliance industry is undergoing profound changes.

In recent years, more and more brands have begun to venture into the household appliance industry, trying to enhance their profitability in this area, such as some mobile phone brands like Xiaomi and Huawei. These brands, which originally focused on the mobile phone market, rely on their deep accumulation in the field of smart technology, and have successfully developed a smart home system that can be seamlessly connected with the mobile phone systems. This innovation not only brings consumers with a more convenient and intelligent lifestyle, but also enables these brands to quickly emerge in the household appliance industry.

These brands, which extend from other industry to the field of household appliances, with great brand influence and technological innovation ability, have caused great pressure on the

traditional household appliance brands. They provide more cost-effective service and more convenient smart home solutions by providing diverse products. In the face of such a competitive situation, the traditional household appliance brands have to accelerate their own pace of innovation, improve the technical content of products and user experience, in order to cope with the challenges of these new entrants.

As more and more brands enter the household appliance industry, the market competition has become increasingly fierce. This has also brought new development opportunities to the industry, and also makes the brands need to constantly improve their own strength, in order to adapt to the changing market environment and consumer demand. In this process, both traditional household appliance brands and new entrants need to constantly innovate, driven by science and technology, to bring better products and services to consumers.

6.2 Market-Related Concern

Nowadays, household appliance brands are focusing on the field of intelligence, innovation and R&D competition. Although Midea has made remarkable achievements in the field of intelligence, competitors such as Haier also have high-end R&D capabilities and patent reserves and are actively building internationally leading technologies. This puts considerable pressure on Midea, because they require constant efforts to maintain their lead.

At the same time, while expanding overseas markets, Midea must consider legal differences, exchange rate changes and trade frictions and other issues. These issues could have a significant impact on Midea's performance, adding to the uncertainty about its future growth. Therefore, Midea needs to adopt effective strategies to meet these challenges and ensure its long-term success in global markets. In order to maintain a leading position in the global market, Midea will not only need to continue to innovate in technology R&D, but also need to make corresponding adjustments in marketing strategy, brand building and customer service.

7. Conclusion

Based on the analysis of the current situation of Midea, the company should continue to give full play to its significant advantages in the field of intelligent and innovative technology and strive

to further expand the household appliances market at home and abroad. At the same time, appropriate marketing strategies should be carefully planned and implemented to significantly improve the future performance and market competitiveness.

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