



Case Report

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Haier: A Hammer Turned a Company into Billion Dollars

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Case Report

The year 1985, 76 defective/flawed appliances were smashed by a sledgehammer on the floor. In 1985, Zhang Ruimin inspected his factory's inventory and realized that many items were broken; out of frustration, she lined up about 76 defective items and commanded every worker to destroy them. He grabbed the sledgehammer and started destroying the appliances to make his message clear. That's how a multinational company that was almost bankrupted took a turn around and now the company has been included in Fortune Global 500 and has ranked no 1 Global Major Appliance brand for 12 consecutive years. It recently achieved a Global turnover of approximately €26.5 Billion (2020)¹.

Pakistan, which is considered the sixth most populous country, is blessed with four seasons and is located in South Asia. In summer the temperature of Pakistan reaches extremes the highest temperature ever recorded in Pakistan is 53.5o C which was recorded in Mohenjo-Daro, Sindh on 26 May 2010 Pakistan has used multiple ways to overcome that much heat including air conditioners, coolers, fans, etc.

Company History

One of the Chinese Company that is considered a big hit in Pakistan's electronic market is Haier. Back in history, Haier a multinational home appliances brand was developed in 1984 in Qingdao, China by Zhang Ruimin with a vision and mission to be the leader in the industry and user's first choice, as well as a competitive solution provider for a good life. In the initial stages, Haier was only manufacturing refrigerators for households with only 800 employees with a single product line. Later on, the company reached a level of bankruptcy but as the year passes, with hard work and dedication Haier got diversity and expanded globally now it has expanded to almost 4 continents 1) Asia (2) Europe (3) Oceania (4) North America and is considered as world's largest brand of white appliances having largest market

share with 10% retail volume market share (Euromonitor 2014).

The history of air conditioners started in 1902 when the need for air conditioners was somehow indirectly identified and Willis Carrier invented the first electric air conditioner to control humidity for a printing company to maintain the size of a paper. Since that day Air conditioners are widely used to remove heat and moisture. In Pakistan first air conditioner was launched by PEL in 1956, but with time the market for air conditioners grew gradually and new companies entered Pakistan involving Chinese Companies. As Chinese Brands flooded Pakistan, PEL started to lose its market shares.

To satisfy the needs and demands of Pakistani customers, Haier Pakistan was established in the year 2000 by CEO Javaid Afridi. At the time of launch, Production facilities were constructed at Raiwind Road, Lahore², and production for the market started in 2002. It dealt with refrigerators only at that time but as it got a successful entry into the market it used diversification to get more market share. Haier Pakistan is the subsidiary company of the Haier group of corporations in China which has 50% of its shares, it is considered one of the largest home appliances companies in Pakistan with an annual sale of around Rs. 600 billion³. The competitors of Haier are Hi Sence, Gree, Green Air, Orient, TCL, PEL, Singer, and Dawlance (Gree is the main competitor of Haier in terms of HVAC⁴ products and Dawlance in terms of major appliances). Although, Haier has many distinctive advantages over its competitor it has successfully got an edge in terms of Technology, R&D⁵, and Cost whereas Dawlance is one step ahead of Haier in terms of quantity sold of major appliances. If Haier wants to increase the quantity of its product it has to make double shifts or buy new machines/units. Haier is leading the market with a market share of 30.4% and a growth rate of 16% from last year. To attracts its customers the pull strategy is used while keeping in mind the seasonal demand. Customers are less attracted or the demand decreases during the winter season and demand goes to its peak during summer.

¹€26.5 Billion = \$ 29,336,825,000

²Lahore: Lahore is the capital of the Pakistani province of Punjab and is the Country's second largest city. It is one of Pakistan's wealthiest cities with an estimated GDP of \$84 Billion as of 2019

³Rs 600 billion: USD 3,320,770,200

⁴HVAC: Heating, Ventilation, and Air Conditioning

⁵R&D: Research and Development

Haier Step Towards Evolution

The evolution of Haier can be examined as to when it first entered Pakistan it was only assembling the products all the are manufactured here whereas a few important components are still outsourced. Haier has also got diversity in the form of evolution; it is the first company to assemble laptops in Pakistan also it is the first company to establish a mobile phone assembly plant in Lahore.

components of products were received from different sources outside the country. After some years Haier started to manufacture some parts of its products in Pakistan and some components were outsourced now at the present majority of products and their parts

Table 1: The products and services Haier Pakistan manufacture and deals in with sales and revenue are White Goods (Major Appliances), Small Appliances (Household Tasks), Brown Goods (Consumer Electronics), HVAC (Heating, ventilation, and air conditioning).

Products			
Goods Type	Products	Qty (In1000's)	% Contribution in sales (in Rs)
Major Appliances	Refrigerator	600	28%
	A/C	400	31%
	Washing Machine	200	10%
Small Appliances	Microwave Oven	125	8%
	Water Dispensers	50	4.20%
	Kitchen utensils	NA	1%
Brown Goods	LED's,	100	4%
	Smartphones	50	3%
	Laptops	200	10%
Services		% Contribution in sales (in Rs)	
Installation Service		0.50%	
Warranty		0%	



Figure 1: The market size/volume for air conditioner in Pakistan is around 0.9 million.

The products and services Haier Pakistan manufacture and deals in with sales and revenue are: White Goods (Major Appliances), Small Appliances (Household Tasks), Brown Goods (Consumer Electronics), HVAC (Heating, ventilation, and air conditioning). Services include (Installation, Warranty, Repairing, and Delivery) See Table 1 in annexes The market in which Haier Pakistan is dealing in is referred to as the electronics market and customers of Haier Pakistan are of three types (1) Domestic Customers (2) Corporate Customers (institutes) (3) Retailers. In terms of demographics, Haier has targeted domestic customers with an age limit of 30-65 and having income from low to high the location of customers is mainly in urban areas, but somewhere rural areas are also targeted by segmenting them. The buying habit

of domestic customers of Haier costs conscious in urban areas and technicians are referred based in rural areas, in corporate sector's demographic doesn't play that much importance. Corporate sectors include Banks (CSB, Faisal Bank, UBL), and other Institutes. Whereas buying habits of retailers are profit base, customer preference they buy the product based on market demand. Retailers of Haier are Surma Wala, Sheikh Group, Afzal Electronics, Umar Electronics, etc. Again, the domestic customers are the customer of retailers. All the customers are targeted with the same strategy. The market size/volume for air conditioner in Pakistan is around 0.9 million whereas if we see the trend (Figure 1) for a market volume of specific product the market is growing gradually with a 10% up-rise, the trend is also moving towards

the age of conversion which means there is conversion happening between normal air conditioner to DC Inverter, because of the current situation of electricity in Pakistan the high rates of electricity and too much load shedding leads to a solution of consuming inverter AC's which uses less electricity as compared to normal/traditional air conditioners.

Haier Business System and Strategies

While entering the Pakistan Market Haier dealt with a cultural issue of Pakistani. Although Chinese products are reliable, low in rates, and require very less maintenance, back in the year 2004 the sales of the company were not meeting the expectation. Haier Pakistan CEO Mr. Afridi and key strategic members try to address the issue and make the company number 1 in Pakistan.

There were many strategies involved in globalizing the company as it is a subsidiary company of Haier Group China, The CEO initially focused on making global strategies (focusing on difficult customers first) along with changing the mind of consumers toward the Chinese brand. Haier Pakistan's Directors held a meeting and decided to use their globalization strategy which will be focused on 4 stage development to overcome the Chinese branding issue. Along with this the *Marketing Director (Mr. Naseem-ul-llah)*, and *Commercial Directors (Mr. Zia)* established some strategies to be able to compete in the market with other Brands.

At the very first stage, they focused on *Brand Building and Recognition* for this as CEO Haier Global had set a benchmark by destroying defective appliances it was clear for all to focus on quality rather than quantity. Quality was highly focused on not only the product quality but also the employee quality was kept in mind. Awareness programs were launched to make sure the company and all employees are on the same page. For brand building in starting the Directors decides to increase the marketing budget and give free small associated products along with purchases. Roadshows were increased to make a word of mouth, stalls were introduced and placed at different locations in each city of Pakistan to give information about products. The keen focus was on Customer perception about Chinese products for that Celebrity endorsement was massively used, each celebrity who had an impact on customers and can change the perception of the customer was used in the Advertisement. Some celebrities were hired as Brand Ambassadors of the Company, Brand promotion was targeted via sports to click the mind of youngsters. Factory visits, Internships were offered to make sure the quality was very effective after-sales services were promised.

The second stage Haier Pakistan used for globalization includes the *Expansion and Diversification* which top management with innovative spirits started to diversify their products and launched new products categories. The whole stage was carried out by R&D Department. Top Management emphasized the role of R&D and it was decided to be in competition the department

should deeply examine the products available in the market and then provide innovation. The research program was introduced in which a third-party company surveys the customers and gives detailed information to the department about the needs of customers.

The third Stage focusses on *Internationalization*: Haier focused on internationalization as the management started to believe that only the expansion domestically won't make them ahead of other groups, they started to make strategies for internationalization in which starting they exported their products to other countries but after some time based on diversification in product categories, they keep on entering in new markets both internationally and domestically. This strategy helps them in making a reliable name in the market in Pakistan. Haier starting was only dealing in Refrigerators but later on, as top management decided to focus on *Internationalization*, they keep on introducing products in new markets such as they entered in the furniture industry, electricity generation, installments business, automobile, etc. overall the purpose was to make sure the name of the company appears to everyone in every possible way. This strategy makes chaos in the market that Haier is massively investing and, in an instant, Haier becomes a hit for every customer.

Fourth Stage (*Global Branding*): In the last and 4th stage Haier group's goal was to become a recognizable brand all over the world but some major issues were holding them back to do so, at the end it was decided by the management to use the strategy and onboard local alliance in whichever country they go along with building a whole plant(factory) in the host country. As in Pakistan Haier Factory was established by Haier Group. To keep the quality under control there's one more strategy used by Haier Global to appoint at least one Chinese main key person with the key person appointed in Host Country in that way the quality would be more managed by the Chinese and they won't lose the control.

Haier believes in a "Shock to Fish" strategy in which they state that Fast fish eats slow fish. It is not important for any company how much time they have experienced in the market, the most important is who is fast enough to work on customers' needs first. Haier Pakistan revolves their all strategies around technology improvement and innovation to capture the customers by being the No.1. They always work on changing themselves from time to time. Haier has changed its name, logo, and slogans multiple times.

Key Decisions

Haier Marketing Director along with *Commercial Director* who are the key persons in a meeting 2021 now aims to have Sales of Rs.900 billion for next year and highlights some important points which they will be focusing on to keep the company growing. At first, they think to keep the company growing and profitable it is important to have more fast-paced network induction this will ensure the dealer's profitability and through this, the company will grow.

The marketing Director classifies that for customer satisfaction it is very important to have very strong After-sales services and every related person from the department has to be in touch with the customer to make sure they are happy. Customer Relation Management (CRM) has been implemented which increased the customer recall ratio to around 75%. 6'S Kaizen Lean Process⁶ (Sort, Set in Order, Shine, Standardize, Sustain, and Safety) was implemented all around the company which completely focuses on waste management and helps in solving very critical manufacturing issues. They also introduced new way of training to employees and onboarded Pakistan's top Business Schools like LUMS for 3-6 months training of employees. Marketing Director decides to promote the brand via Cricket in Pakistan to capture young generation too. A program was launched "Grow with Growth of Company" to encourage employees, the program focuses on employee's growth targets were assigned to employees and it was made clear that every employee should grow both in monetary and non-monetary terms with company. If company is achieving its target the employees are promoted and rewarded equally. New promotions were launched, free products were distributed. That boosted the confidence in employees and turns out they company achieved *Rs.200 billion Sales* before the first quarter of 2022.

Strategy & Customer Needs

Focusing more on end users of Haier who doesn't define their need directly, Retailers check the demand and define their need to the company but the need of the end user is accessed by the company through a research company (AC Nielsen). AC Nielsen surveys the market from time to time and defines the need to Haier.

Haier has set cost as its performance objective whereas flexibility, dependability, quality, and speed are also focused. Customer want products with minimum cost, the cost is minimized by getting raw material from Haier China. Haier has also got flexibility when the demand 6 6S Kizen: Sort, Set in Order, Shine, Standardized, Sustain and Safety fluctuates, they are able to fulfill the demand when it goes to peak, Haier has a very strong R&D technology which enables them to adopt any change of technology in the market while the majority of the time they are the one who introduces new technology in the market. Quality of products is also focused by Haier, and customers can depend on Haier based on their technology, quality, and cost. Haier has set its KPI to market share, as the performance objective is cost. Haier analyze its performance by checking the sale and market share if the market share and sale is growing it is considered as Haier has achieved its KPI. Supply network of Haier consist of 3 tiers in backward (Upstream) and 2 tiers forwardly (Downstream), the upstream suppliers of raw materials for air conditioners parts are the very specific majority of the raw material is obtained from Haier Group of Corporation. Haier not only changes its name, logo they keep on updating the packaging. Packaging consists of three levels i.e., Primary, Secondary, Shipments. Haier have strong packaging now

as compared to previous years, back in time the packaging used by the Haier was heavy in weight and portability was low, also being ecofriendly company, they were not focusing on packing that will be ecofriendly as there was woods used for refrigerator stands etc. but with the passage of time their packaging changes. Now pharmacol sheets have been widely used for packaging purpose although, the main box for each product is as same as before but with better quality, the whole packaging material is prepared in their own factory

- a) Firstly, in primary level the product is wrapped into packaging sheets then in secondary level product is covered with brown sheet that forms a box having thermocol sheet in it.
- b) For shipment purpose normal packaging plastic wrap is used to wrap bundles. See appendices for packaging

New Product Design R&D

As mentioned already Haier Pakistan has a very strong R&D department which keeps introducing new products for the market, Haier is planning to launch inverter refrigerator which will consume less electricity as compared to other refrigerators. Example of designing and launching the new air conditioner in the market. The demand and need in the market are assessed by AC Nielsen Company, in a factory, there's a sample room within HVAC factory which consist of two chamber rooms called as Cooling Chamber and Chiller Chamber. For a single product at-least, 10 tests are monitored to qualify for the market which includes T1, T3, 2-Maximum High and Low Voltage tests, Combustion test, Frost test, Temperature Stability, Heating T1, T3 tests, and a Water drop test.

Through these tests, Haier evaluates Cooling capacity, Heating capacity, EER (Energy Efficiency Ratio), and Air Volume. R&D department manufactures a sample and it is delivered to the sample testing department where the workers manually adjust indoor body of the air conditioner in the cooling chamber, the machine itself is also called as Cooling chamber. Indoor is adjusted on the machine, the temperature is set according to each test [Low temperature for T1, High temp for T3, temp range (-15o C to 60o C)] whereas relative humidity can maintain up to 90%. Similarly, outdoor is placed functionally in Chiller Chamber where the temperature is set at high normally at 36o C. Both indoor and outdoor are attached with sensors and an A/C test software monitors the working. After successful testing, a report is prepared along with some graphs to analyze the capacity of the product. A senior R&D manager checks the report and tells whether the product is capable to launch in market or not. If qualified then the new product is placed on the manufacturing line for manufacturing in bundles according to demand, the sample room then again test at-least 8 units/day from the manufacturing line to avoid any risk. To meet the demand of market double shifts are planned accordingly. (Example of tests graph Figure 2 annexes)

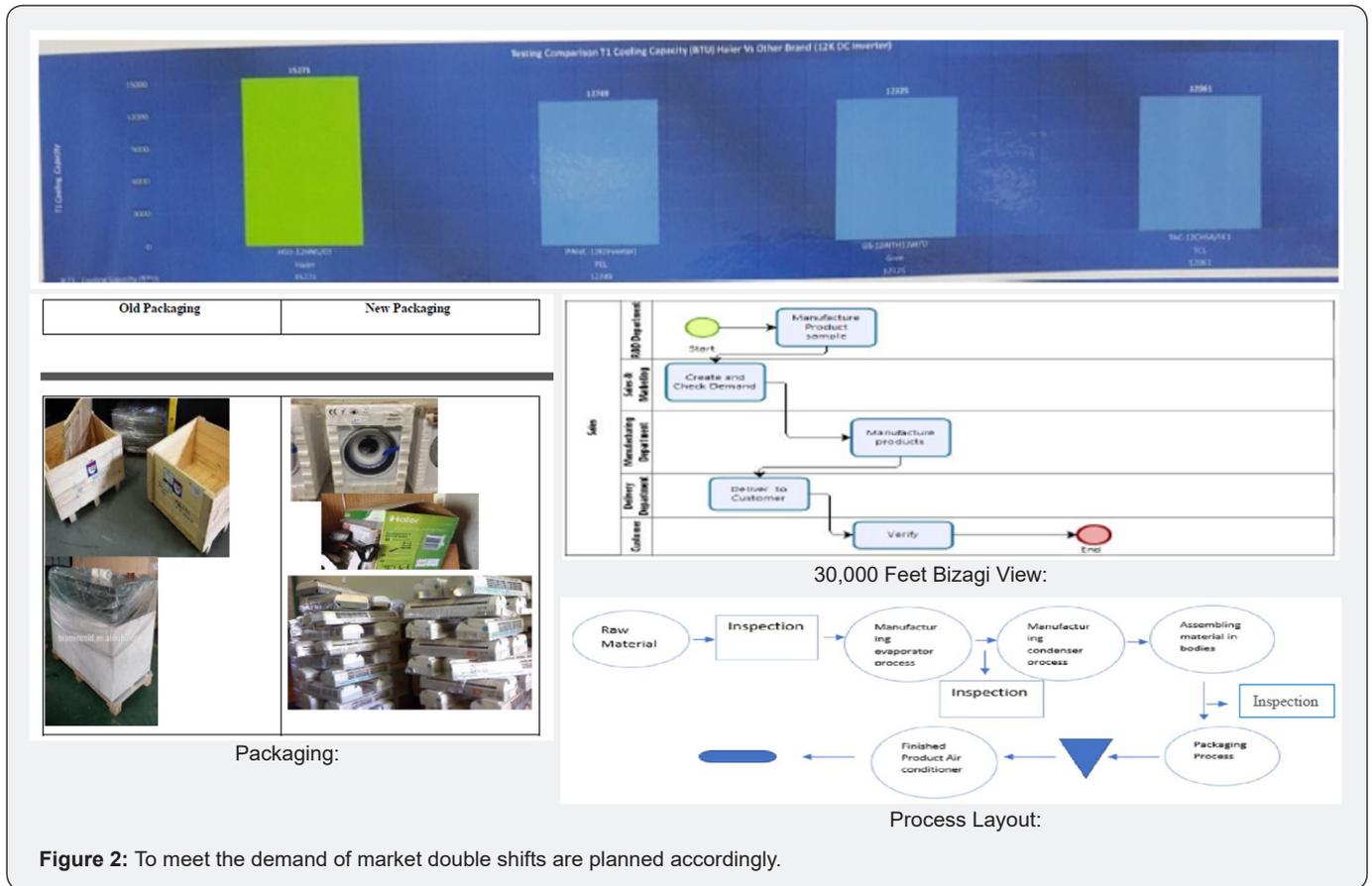


Figure 2: To meet the demand of market double shifts are planned accordingly.

In terms of process technology, Haier uses material, customer, and information processing technology. Majority of the process in the factory is automated, semi-automatic machines are used to complete the tasks. Indirect process technology is also used in the form of call centers which are used to communicate with customers in the form of complaint. Information technology issued by Haier through the internet, and bar codes.

Inventory and Capacity Management

The whole unit of HVAC factory is able to manufacture 2000 ac / day. Although each machine has its own capacity starting from fin press machine it can manufacture 30 set units/ cycle, and it meets the target of manufacturing 2000 sets for ac, there are two

fin press machines in the factory. There are 2 Expanding machines having a manufacturing capacity of around 1200 units/ day. Furnace machine has a capacity of drying 2800 units/day, Welding line can weld 3200 units/day. Bending machine which is used for outdoor can bend 2800 units/ day, whereas other machines work on the continuous process with a sequence. Collectively there are 2000 A/C units manufactured in factory/ day.

Haier HVAC is comprised of 4 products 1) Inverter Series 2) On/Off Series 3) Floor Standing Series 4) Commercial Series. There are 6 colors Haier is providing products in, Permanent color (White, Grey, and Silver), and Optional (Black, Dark red, Brown) more detail in Table 2.

Table 2: Haier HVAC is comprised of 4 products 1) Inverter Series 2) On/Off Series 3) Floor Standing Series 4) Commercial Series. There are 6 colors Haier is providing products in, Permanent color (White, Grey, and Silver), and Optional (Black, Dark red, Brown).

HVAC				
Product	Category	Price Range (Thousands)	Qty (in1000's)	% Contribution
1. DC Inverter	12K,18K,24K(BTU)	50-85	375	93.75%
2. On/Off series (Non-Inverter)	12K 18K	40-45 45-55	25	6.25%
Traditional	24K (BTU)	60-70		
3. Floor Standing	24K,48K(BTU)	120-225	On Demand	
4. Commercial Series	Chiller, MRV	300 - Million+	On Demand	

Branding:

	Old	Existing
Name	Qingdao Refrigerator Company (1984)	Haier Group (1992)
Logo		
Symbol		
Punch line	Inspired Living	Inspired Living
Slogan	Power of Words	Smart, Leading, Winning
	Cool not Cold "The information is more valuable than the product"	excellence is a journey and not a destination.
Color	Red + Pink	Blue

All the products are manufactured in the company's factory located at Raiwind Road, Lahore. The reason for selecting the location of factory and warehouses at Raiwind road is because of easily accessible transport to all its retailers plus at the time of launch getting a vast area for manufacturing was not possible in the center of Lahore. Hence, industrial area was targeted which also helped Haier to easily dispose of their waste in those areas so that it would lead to less hazardous to all community.

Appendices

Complaint Handling Procedure:

All the customers of Haier register their complaint on call there is a call center which is linked with the company, the related department is referred upon the complaint and then a technician visit is decided for further assistance.

Teaching Notes:

Synopsis

This case study examines the key strategic roles of Haier Pakistan management in overcoming the Chinese products image in Pakistani consumers. The case revolves around a MNC company which entered in Pakistan and faced the issue of bad word of mouth regarding Chinese Brand/Products. The benefits of case study is it will help the reader to better understand what needs to be done in marketing a product, what strategies should be used to overcome a bad word of mouth and make the company grow.

Target Learning Group

This case study is for Undergraduates and Postgraduates Learning.

Targeted Subject

Marketing and Sales, Management, Strategic Management

Research Methodology

In the whole case study, we have used Qualitative Research based methodology. All the data was gathered via Interviewing the key positions (management) of Haier Pakistan. We have also used telephonic interview in case some of information was missing. Later-on all the data was compiled and approved by management.

Case Study Objective:

- a) To examine the strategies used to market the company in way that customers can comes out of negative image of brand
- b) To check how strategic manager, key persons of a company manage and develop strategies
- c) Objective of this case study is to learn how to make a brand Country's no.1 brand with the help of proper planning and strategies
- d) This case study emphasis the importance of change according to need for any company

Teaching Plan

The case can be best taught in a 90-minute class with students preparing the case study and readings in advance. One suggested breakdown of instruction is as follows:

Material Required

Case Study Print Outs, Colorful Chart papers, Markers, Breakable Sticks, Thread, Scotch tape

Assignment Questions:

- a) How Haier should manage to complete the demand on time based on the provided capacity of factory.

Answer:

To meet the exceeded demand, Capacity is increased by double shifts and if demand is predicted for next year, a new machine is purchased to meet future demand. Although, there are some costs that Haier has to bear while increasing the capacity. The costs can be defined as Transport cost for employees, food cost, utility cost, and delivery cost. Haier has achieved the Economy of Scaled by producing the products in large quantity whereas the raw material cost is minimum it helps Haier to grow and the product cost decreases.

The company also keeps data of sales and demand. According to their data change in demand increases the expenditure of both HR and Capital, to meet the demand, new machines would be purchased and for each machine, new employees are required.

As any other company, Haier also keeps the inventory in order to reduce cost and to enhance the speed, flexibility, and dependability. The cost is reduced by having inventory as Haier works on a concept of JIT⁶ discussed later. There are MRP software's Haier uses for inventory, demand planning, and forecasting, Whole inventory is used to manufacture the products in the cyclical process to meet the demand of customers if there is no inventory in factory it would lead to less production and Haier would be stocked out demand could not be fulfilled. Haier works with Cyclical, and Buffer inventory, the types of inventories include raw material, component material, WIP⁷ and finished goods. Raw material inventory of 2 months is kept in the factory, whereas Finished goods are kept in a warehouse for 15 days. The cost associated with the inventory is 70 million Rupees, inventory of around Rs70 million is available at the factory is obtained by using some specific software's, Optimization and heuristic methods are kept confidential for some reasons. Haier works on Produce to stock strategy to control demand and supply.

Haier orders its inventory in bulk, the reorder level of inventory is 15000 in case of the whole kit, if the inventory is coming from Lahore it takes 1-3 days to reach the factory, from Karachi it takes 10 days and in case of China receiving time of inventory is 90 days.

⁶JIT: Just in Time

⁷WIP: Work in Process

⁸KPI: Key Performance Indicator

Inventory is ordered 3 months before reaching the minimum level by using R, T policy. The inventory is reviewed on quarterly bases and a variable amount of inventory is ordered.

Haier uses the concept of JIT and lean process which clarifies the importance of the raw material, it states that raw material should be available at the time of production. Less space, movement, waiting, overproduction should be focused to enhance quality, safety, performance, and flexibility, the analyses of proficiency, process, delivery, waste would lead to numerical control of trend, performance, and KPI's⁸. Haier forecast the future demand by reviewing the previous year report, meeting with retailers. Some quantitative techniques are also used to forecast future demand including surveys (from Nielsen company). Haier being in the market for more than 15 years, it uses gut feelings to forecast the demand.

The compressor of the air conditioner is the most important part is purchased from Mitsubishi, Danfoss, and Tecumseh. Whereas, other raw materials including Gi sheet, Plastic indoor body, Copper Coil, Gas r-410 a, Aluminum, excel fan, fan motor, PCB kit is obtained from Haier Group of Corporation. Haier Pakistan places an order to its supplier for raw material, and within a specific period of time, all the required material is supplied from China to Karachi, Pakistan from where the material is then transported to a factory located in Lahore. The time duration is discussed in detail in the inventory section. When the finish good i.e., Air-conditioner is manufactured it is then delivered to downstream members including Retailers, Corporate sectors (if they demand), and to experience stores where end users can buy the products. Retailers buy the product in bulk and display product at their outlet for maximum sale.

- b) If you were the key person of Haier, what strategy would you have chosen to overcome bad word of mouth of Chinese products and how you would achieve company's profitable sales?

Answer:

Being the key person in Haier Company the brand image can be improved by focusing on quality while providing best customer services to all. Many Sales promotions can trigger an impact on customers to

buy more Haier Products. Celebrity endorsement can here play vital role in developing a good brand image along with achieving more sales.

- c) Do you think strategy (6sKizen) which was used by Directors of company was the right decision? If you were in that position, what would you do?

The strategy 6's Kizen the lean process completely focuses on elimination of waste that can be in the form of material or of the process. According to my analysis the key persons took the

right decision to eliminate all waste and lean the whole process of company. In this way the company was able to minimize the resources that would be used in extra processes hence the cost was reduced and ultimately the company's profit grew.

d) Key Strategies used in whole case study

At the very first stage they focused on *Brand Building and Recognition* for this as CEO Haier Global had set a benchmark by destroying defective appliance it was clear for all to focus on quality rather than quantity. Quality was highly focused not only the product quality but also the employee quality was kept in mind. Awareness programs was launched to make sure the company and all employees are on same page.

The second stage Haier Pakistan used for globalization includes the *Expansion and Diversification* which top management with innovative spirits started to diversify their products and launched new products categories. The whole stage was carried out by R & D Department

The third Stage focusses on *Internationalization*: Haier focused on internationalization as the management started to believe that only the expansion domestically won't make them ahead of other groups, they started to make strategies for internationalization in which in starting they exported their products to other countries but after some time based on diversification in product categories, they keep on entering in new markets both internationally and domestically. This strategy helps them in making a reliable name in market of Pakistan.

Fourth Stage (*Global Branding*): In the last and 4th stage Haier group goal was to become a recognizable brand all over the world but there were some major issues that were holding them back to do so, at the end it was decided by the management to use the strategy and onboard local alliance in whichever country they go along with building a whole plant(factory) in host country. As in Pakistan Haier Factory was established by JW SEZ Group. To keep the quality under control there's one more strategy used by Haier Global to appoint at least one Chinese main key person with the key person appointed in Host Country in that way they quality would be more managed by Chinese and they won't lose the control.

6'S Kizen:

6S Lean: 5S + Safety

6S (otherwise known as 5S + Safety) is a system that aims to promote and sustain a high level of productivity and safety throughout a workspace. While adhering to the 5S principle of Sort, set in order, Shine, Standardize, and Sustain, the 6S method adds the concept of Safety. 6 S lean not only helps organizations promote efficient working environments but also establishes a sustainable culture of safety [1].

a) Sort (Seiri)

Sorting, the first step in the 6s methodology, aims to reduce clutter and make it easier for essential work items to be easily located for improved efficiency. "Red tagging" is often done to mark unnecessary items for immediate disposal, while "yellow tagging" can be applied for those items that can be temporarily kept off-site for future use.

b) Set in order (Seiton)

In this stage of the 6 S system, items, equipment, and work materials tagged as essential in the first stage should be placed in an organized manner in the most logical locations. The objective of 'Set in Order' (or 'Straighten') is to establish a systematic way of storing and retrieving items, thus helping maximize accessibility and space.

c) Shine (Seiso)

After non-essential items have been removed and essential items have been organized, the next step is cleansing. The third stage of the 6s lean system, also known as 'Shine', includes activities, such as cleaning the workplace, maintaining its pleasant appearance, and using preventive steps to keep workspaces tidy and clean. The objective is to create an environment that prevents injuries and products from being stained due to uncleanliness.

d) Standardize (Seiketsu)

'Standardize' is the fourth 6s method stage that aims to establish a new workplace norm by identifying best practices and creating consistent procedures for the first three stages. It aims to help people have the same work routines in their processes and develop more efficient habits. This can be done by providing visual reminders, setting expectations of workers' responsibility, and conducting routine inspections and regular site checks.

e) Sustain (Shitsuke)

This is the most challenging step of the 6S method as the goal is to ensure that standardized procedures are applied continually over a long period of time until it becomes second nature in day-to-day work.

f) Safety

Lastly, 6S lean features Safety as the final step added to the standard 5S methodology many have been used to. This essential step of 6 S focuses on identifying hazards and setting preventive controls to keep workers safe during work operations and ensure that the work environment meets required safety standards.

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