Analysis on the Competitiveness of Manufacturing Enterprises under the COVID-19----a Case Study of Gree Electric

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Abstract: In a recent year,the COVID-19 has affected economic development and the life of people.For the manufacturing enterprises,they are all suffering from the difficulty that their products cannot be produced and sold.Therefore,Finding the way to break out of the dilemma under the COVID-19 appears to be particularly important.As a manufacturing enterprises,Gree Electric’s methods to solve those problems can bring some thoughts for competitiveness of manufacturing Enterprises under the COVID-19.This article uses the SWOT method to analyze the strategy of manufacturing enterprises through Gree's strategy.Adjust the budget, make reasonable use of national policies, and improve their own innovation capabilities to solve the problems of manufacturing enterprises under the epidemic.

Keywords: COVID-19, Gree Electric, Competitive Analysis, SWOT Analysis.

1. Introduction

COVID-19's rapid emergence has had a significant influence on China's and the world's economic development. China has become the world's largest manufacturing country for 11 consecutive years,and it is the backbone of China's economy; China's manufacturing industry accounts for almost 30% of worldwide manufacturing output. However,due to the impact of the epidemic, it not only has an unprecedented impact on economic development and social life, but also makes the home appliance manufacturing industry, which was already in a predicament, face a huge survival crisis again[1].After a long period of rapid growth, China's home appliance industry reached a sales volume of 821.1 billion Yuan in 2018. With the increase in market popularity, the home appliance market has gradually become saturated.In addition, the improvement of people's living standards has led to the upgrading of consumption, healthy and smart home appliances are favored by more and more consumers[2].According to the data of “Research Report on Market Competition and Development Trend of China's Home Appliance Industry from 2020 to 2026",In 2019, the offline sales of high-end products such as televisions and air conditioners of more than 10,000 Yuan increased year-on-year.On the whole, with the slowdown of China's economic growth in 2019, Sales start to drop, and with the outbreak of the COVID-19 in 2020, the sudden global crisis has increased the pressure on the development of the home appliance industry[3].Since the global financial crisis in 2008, China's home appliance business has seen the most severe cliff fall.At the same time, the home appliance sector has begun to take proactive steps, and the industry's upstream and downstream segments have resumed production and treat health as a new sales strategy. Smart air conditioners now have a fundamental function of purifying pollutants, and several household appliance businesses have already launched those devices. The pandemic has brought not just risks but also possibilities, thanks to dropping raw material prices.[4].In summary, this paper uses Gree Electric as the subject of this study to illustrate how the manufacturing industry can improve its competitiveness under the epidemic.

2. Data and method

2.1 Data

Gree Electric Appliances Inc., based in Zhuhai, Guangdong province, is a significant Chinese appliance manufacturer. It is the world's largest maker of domestic air conditioners. Gree set out in 1991 to make the world a better place. As a result, it has grown to become a global leader in air conditioners, producing some of the world's most innovative commercial and residential air conditioners. It is presently the world's largest specialist air conditioner firm, integrating research and development, manufacturing, sales, and service, and is based in Zhuhai, China. Its purpose is to invent and develop innovative ways to help people live well and comfortably in their homes, workplaces, and recreational settings. Gree has expanded to over 80,000 members worldwide since its humble beginnings in 1991.It is completely devoted to creating innovative and more efficient methods to keep consumers happy, healthy, and productive, with three research institutions, nine product development centres, over 300 labs, and 5000+ engineers. Gree is trusted to keep people comfortable in the most harsh situations, from the Media Village at the 2008 Beijing Olympic Games to the main stadium during the 2010 Africa World Cup. Gree air conditioners keep over 100 million people cool every day.

2.2 Method

In business competitiveness or project planning, a SWOT analysis is a strategic planning and strategic management technique for identifying strengths, weaknesses, opportunities, and threats. It's also known as situational evaluation or scenario analysis. This method is intended for use in the early stages of decision-making and may be used to evaluate the strategic position of a range of companies. Its goal is to identify the internal and external factors that are beneficial and detrimental to the venture's or project's success. Users of SWOT analyses commonly ask and answer questions in order to gather relevant data and establish their competitive advantage in each area.**[5]**

3. Results And Discussion

3.1 Strengths

(1) Good corporate image

Gree Electric Appliances which established in 1991 is a mixed-ownership enterprise. it ranked 414th in the 2019 Fortune Global 500 released in July 2019, and 37th in the 2019 China Top 500 Manufacturing Enterprises. It is also in the forefront of China's home appliance industry. The industry is divided into two categories: consumer items and industrial equipment. Its goods are sold in more than 160 nations and areas throughout the world.

Table 1. Hurun China Top 10 Most Valuable Electrical Appliance Companies 2020

Ranking	Company Name	Value (RMB 100 million)	Headquarters location
1	Midea Group	5100	Foshan
2	Gree	3210	Zhuhai
3	Haier	1860	Qingdao
4	JSGlobal Lifestyle	420	Shanghai
5	Roborock Technology	400	Beijing
6	Xinbao	330	Foshan
7	Robam	310	Hangzhou
8	Galanz Group	280	Foshan
9	Ecovacs Robotics	260	Suzhou
10	Flyco	210	Shanghai

(2) *Have an independent research institute*

Gree currently has 16 research institutes, the research directions are: refrigeration technology, electromagnetic technology, home appliance technology, new energy and environmental technology, health technology, communication technology, intelligent equipment technology, robotics, Internet of Things, equipment power technology, motor system Technology, Washing Technology, Refrigeration and Refrigeration Technology, Building Environment and Energy Saving, Electrical Engineering and Electrotechnical Materials.There are 126 research institutes, 1045 laboratories, and 1 academician workstation (motor and control). It has a national key laboratory, a national engineering technology research center, a national industrial design center, and a nationally recognized enterprise technology center. Research and evaluation base of the center.At the first time of the outbreak, Gree created an independent mask manufacturer, a COVID-19 air purifier, and a novel energy mobile P2+ nucleic acid diagnostic vehicle.

(3) Actively take on social responsibilities

The "List of Advanced Individuals in the Private Economy in the National Fight Against the New Coronary Pneumonia Epidemic" announced on the official website of the State Administration for Market Regulation of China on December 18, 2020. As the only representative of home appliance companies, Dong Mingzhu, chairman and president of Zhuhai Gree Electric Appliances Co., Ltd., was on the list.In the early stage of the epidemic, due to the impact of urban control and road blockades, Gree's business development was also affected. In the face of crises and challenges, Dong Mingzhu always insists on "face the epidemic until we find countermeasures".On the one hand, she personally live broadcasted the delivery model, promoted the innovation of the marketing model of the home appliance industry, and opened a development window for Gree's new retail.On the other hand, she led Gree to implement the national policy, insisted on not laying off staff and continued to recruit 5,000 college students despite the decline in sales, and assumed the corporate social responsibility for stable employment."Science and technology are effective forces in the fight against the epidemic." As Dong Mingzhu said, Gree is fighting the front line of the fight against the epidemic with the core technology of independent innovation, creating various safety protections for consumers. *Gree's actions during the epidemic have undertaken social responsibilities and established a good corporate image.*

3.2 Weaknesses

(1) Single product

Gree's products are mostly famous for white goods such as air conditioners, and its business income is also dominated by white goods.As a competitor, Midea Electric is mainly based on the performance revenue of white goods and small appliances.Under the impact of the epidemic, the sales of white goods declined, while the sales of small appliances increased against the trend.Therefore, the ability to resist risks is poorer than that of the Midea.

Table 2. Main business comparison table of Gree and Midea in 2018 and 2019

	2018		2019	
	Air conditioner	Others	Air conditioner	Others
Gree Electric	78.58%	21.42%	69.99%	30.01%
Midea Electric	42.13%	57.87%	42.99%	57.02%

(2) Excessive reliance on offline sales

In the first half of 2020, online channel sales increased by 9.6% year over year, while retail sales decreased by 9.1% year over year; offline channel sales decreased by 31.8 percent year over year, while retail sales decreased by 37.1 percent year over year. For the home appliance business, the internet has become a new sales channel. Due to the impact of the industrial crisis, Gree Electric's strong reliance on offline sales channels has exacerbated its poor performance. In this situation, Gree Electric advocated for a shift in sales channels, moving from physical to online shopping.

(3) The risk control is poor

The company's monetary funds are much higher than interest-bearing liabilities, with no debt repayment risk, and a large amount of cash is held.Holding too much cash will lead to low input reproduction efficiency, and the industry development will reach the ceiling.

Table 3. Gree Electric Monetary Funds and Interest-bearing Liabilities (Unit: billion RMB)

Gree Electric	2014	2015	2016	2017	2018	2019
short-term loan	3.57	6.27	10.70	18.64	22.06	15.94
Non-current liabilities due within one year	2.06	2.40	0.00	0.00	0.00	0.00
Long term loan	2.25	0.00	0.00	0.00	0.00	0.00
Bonds payable	0.00	0.00	0.00	0.00	0.00	0.00
Interest payable	0.03	0.04	0.04	0.19	0.00	0.00
Total interest-bearing liabilities	7.93	8.72	10.74	18.84	22.06	15.99
Money funds	54.54	88.82	95.75	99.61	113.07	125.40
Total monetary funds/assets	34.91%	54.93%	52.50%	46.33%	45.01%	44.32%

3.3 Opportunities

(1) Broad prospects in the international market

The technological gap between Chinese and international air-conditioning companies is narrowing, and foreign demand is growing, providing chances for Chinese air-conditioning businesses to internationalise and creating high overseas demand. Gree's tagline, "Let the World Fall in Love with Made in China," also reflects the company's commitment to compete in the global market. Gree's global market share of residential air conditioners reached 20.1 percent in 2020, ranking first in the sector, according to figures.

(2) Respond to national policies

Implement structural changes on the supply side, adapt and optimise the industrial architecture, support intelligent production upgrades, and strive for high-quality development. Since 2013, Gree has evolved from professional air-conditioning manufacture to a varied spectrum of high-end technical firms, with incursions into the areas of intelligent equipment, communication equipment, moulds, and so on.

(3) Innovative technology empowers the fight against the pandemic

Gree accomplished the independent design and construction of mask production equipment and epidemic preventive material production equipment in only 16 days during the early stages of the pandemic, depending on its own research and development strength. A wholly-owned subsidiary was founded in February to manufacture masks, goggles, infrared thermometers, and other medical equipment goods, successfully reducing the scarcity of epidemic prevention supplies. Gree also produced the "Hunter" family of air purifiers in just 55 days, based on years of technological research. According to test results from reputable laboratories, they can successfully eliminate viruses in the air.

3.4 Threats

(1) Strong competition in the industry

Midea, China's local rival, has a lesser brand influence than Gree Electric in China. The total development momentum is robust, and the air-conditioning company has endangered Gree Electric, thanks to its earlier layout of online sales channels and more diverse goods.In addition, the competition between foreign and local electrical appliances is fierce,Siemens, Philips, Sony, and

Panasonic occupy a large share of the domestic market, and many people buy foreign brands because of good reputation, quality and safety, high-quality service, and trend-following.

(2) Incremental stagnation of air conditioner market

Overcapacity and insufficient demand make the growth rate of China's air-conditioning industry pull back,In 2019, the market size of China's air-conditioning industry was 197.9 billion yuan, a year-on-year decrease of 1.6%The incremental market of the air-conditioning industry is basically stagnant, and the stock market still has long-term competition in the future. The industry has hit the ceiling, and it will be difficult to maintain double-digit growth in the future. However, because the overall market is huge, revenue will remain at a high level.The product structure of the consumer electronics industry has begun to differentiate, and companies need to adjust the product supply ratio according to the market supply and demand relationship in order to break through in the slow-growing market.

(3) Unclear property rights, weak sense of crisis

Gree Group is a conventional government-owned company. Gree Electric Appliances is a joint-stock company, but the state owns the majority of the shares, and the management lacks entrepreneurial zeal.The growth of a mixed economy in the context of an inadequate legal system not only increases the complexity of government administration, but also raises the likelihood of financial hazards. As a result, Gree Electric's mixed ownership reform has a long way to go.

4. Conclusions

Through the SWOT analysis of Gree, the following conclusions can be drawn

4.1 Adjust financial budgets, see the situation clearly, and seize opportunities

Faced with the financial budget imbalance caused by the epidemic, as well as the losses to the enterprise, enterprise managers should analyze and forecast the current situation, adjust the goals and short-term development plan,Solve tough financial problems and adapt to the new environment.

4.2 Rational use of national subsidy policies

China has introduced a series of policies and measures in response to large-scale emergencies, and issued a number of subsidy policies for manufacturing enterprises to resume work and production.For example, the three social insurance premiums are reduced or exempted in stages, tax payment deferral, property tax relief, loan interest rate relief or concessions, etc.Make good use of state subsidies and strive to restore production levels before the epidemic in a shorter time.

4.3 Improve own innovation ability

Under the impact of the epidemic, only manufacturing enterprises with their own core technologies can survive. Enterprises without core technologies will eventually fall behind in continuous technological progress. The impact of the epidemic will only accelerate this process.And companies with innovative technologies, like Gree, can still stand under the epidemic, and can even achieve better development. The epidemic is both a challenge and an opportunity. Only innovative technologies can bring more opportunities.

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