Bienvenido a los AVANCES!

Welcome to Part 2 of the Midea Carrier ABC Joint Venture Special
Midea Advances Newsletter

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An old proverb says that the whole year’s work depends on a good start in spring. Luckily, this spring is off to a good start already, as a week before the Chinese Spring festival, Midea CAC, together with their main distributor, held a very successful V4+ product seminar in Bangkok, Thailand. Around 80 guests, including sub-distributors, consultants, project owners, contractors, and developers attended this function.

This seminar was considered impressive thanks to the great efforts from our main distributor in Thailand. During the whole seminar, the Sales Director Asia-Pacific market, Kenny Li, presented a welcome speech to all attendees, and Sales Manager for Thailand, Cindy Cai, described Midea’s long term cooperation with their major distributor. Afterwards, Midea’s team showed off their most advanced VRF product, the all-DC inverter V4+S series, and the 4th generation Intelligent Manager of Midea (IMM) system.

The V4+S series, introduced to the market in 2012, adopts all-DC inverter technologies, with an all-DC inverter compressor and DC fan motor; an energy-saving, industry-leading IPLV 5.8; double backup operation and cycle duty operation; flexible design, with 6 basic modules, and a maximum combination capacity of 72hp (200 kW); user friendly functions, such as multi priority mode locking, nighttime silent operation, high ESP design, intelligent control system, auto-address setting, and error diagnosis software.

Introduced to the market in 2012, the IMM has made great strides in bringing VRF products into the Internet age, as a flexible multi-purpose system suited to handle a variety of needs, according to the scale and control method of each building. No matter where you are, no matter where your project is, with IMM you can manage and control your VRF at will.

After the seminar’s presentations had finished, there were many interactive programs through which attendees could become more familiar with Midea: Q&A sessions and product picture-puzzles, leading up to the banquet, which began with the President of ASHRAE Thailand Chapter, Chartchai Pisuttiboriboon, giving a speech about the develop-
**V4+ Product Seminar in Thailand (Cont.)**

By Amber Liu

The development of Thailand’s HVAC market and the promising future of the VRF industry in Thailand.

This successful spring product seminar certainly qualifies as a good start for Midea CAC in Thailand in the new year, so they are certainly hoping the old proverb holds true.

**Little Swan Honored with Intertek’s Green Leaf Mark**

By Blinda Li

Thanks to its outstanding contributions to long-term carbon footprint reduction by way of products with powerful low-carbon and energy-saving technology, Little Swan has completed the Carbon Footprint Evaluation program administered by Intertek, an international authority based in the United Kingdom, and presented Little Swan with the Green Leaf Mark, the first and only enterprise winning such distinction within the domestic washing machine industry in China.

A carbon footprint refers to a collection of organizations, activities, products, or personal greenhouse gas emissions caused by transport, food production and consumption as well as various whole production processes.

Intertek’s Director of Environmental Impact Solutions, Zhang Li, expressed that as the first washing machine manufacturer in China with this distinction, Little Swan has set an example for other enterprises to follow.

Enterprises engage in the Carbon Footprint Evaluation program voluntarily. That Little Swan actively pursued the completion of this evaluation reflects the company’s sense of social responsibility in terms of energy efficiency and carbon emissions reduction.

Represented by Little Swan, the leading enterprises will continuously introduce innovative products to enhance consumers’ quality of living, moving forward from power in manufacturing to power in innovative.
MDV Brand and Product Promotion Salon Held in Moscow

By Tony Miao

Moscow-based MDV brand distributor JAC organized an MDV-brand product promotion gathering in Moscow this month, with 30 sub-dealers gathered in the Forest Hotel to discuss the brand and product promotion for all MDV products. Over the two day meeting, participants discussed MDV brand strategy, pricing and sales strategies, the MDV VRF product range, design, and selection.

Midea Sales Manager Jim Lin gave a presentation regarding MDV brand positioning, history, product sales situations and marketing plans for the future. He explained how the MDV brand had been created in 1999 out of Midea’s Commercial Air Conditioning Division (CAC) as a professional climate control brand for sales via specialized climate control companies. In the beginning, the brand’s portfolio included only high-technology commercial and industrial equipment: VRF systems (variable refrigerant flow), chillers and fan-coils, compressor condensing units, light commercial air conditioners, all used in the commercial segment. These days, MDV is a professional climate control brand, which means that only air conditioning systems are produced under this trademark. The brand is promoted by professional climate control companies in many countries, including Russia, Spain, Brazil, Australia, Israel, Bulgaria, Poland, Turkey, and Saudi Arabia.

Following Lin’s presentation, the MDV brand manager from JAC, Mr. Roman, gave his own detailed explanation of MDV brand and pricing strategy and MDV product promotion support provided to all sub-dealers. He stated that he felt optimistic about MDV product sales thus far, and that sales have met 38% of the total purchase volume from Midea.

MDV CAC currently offers two professional platforms via which they promote the MDV brand and products.

The MDV ELITE CLUB is a program for all consultants, design engineers, project supervisors and others who help us to design our systems and promote our product on the market. Through our periodic member gatherings, including conferences, salons, golfing trips, and factory visits, all members can share in the experience of HVAC project design and discuss the new trends in the air conditioning industry. This program will help MDV-brand products to enter professional HVAC channels and industries.

The MDV ELITE CAMP is a professional platform for sales engineers and managers on the distributor side. Through seminars, marketing & product training, and proposal discussions, the CAMP members can develop greater knowledge of the products and marketing techniques. This helps the distributor to educate sales staff in shorter periods of time. The program helps partners who are engaging in MDV-brand business to become more professional and competitive in promoting these products.
**Baltic Dealers Visit Midea Headquarters**

By Tony Miao

A contingent of 16 dealers from the Baltic region visited Midea headquarters early this March to participate in CAC’s MDV ELITE CAMP. The participants were mainly sub-dealers for room and commercial air conditioning systems.

Factory visits and product training make up the bulk of the program, which are designed to prepare dealers and their sub-dealers. Typical participants include sales engineers and sales managers who are responsible for contacting clients directly. During the factory visits and reference project visits, everyone has the opportunity to observe Midea design & development, and manufacturing capability, and the product training and comparison for the main suppliers clearly illustrates how to position and sell the product correctly.

The Baltic region includes Estonia, Latvia and Lithuania. Because of the weather and relatively small population of these countries, the overall air conditioning market is not big. Midea residential air conditioning (RAC) performs excellently in this region among the other Chinese brands, because of its high quality and competitive pricing. Anyone walking through the streets in most Baltic cities will easily spot Midea-brand air conditioners in great numbers. Conversely, CAC products are new in this region. Midea’s VRF system, a cooling and heating design, is an ideal solution for all seasons. The air-cooled modular chiller also accommodates heating and cooling needs in commercial applications.

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**Midea Wuhu Factory Warmly Welcomes New Colleagues**

By Crystal Lun

With the arrival of the Chinese New Year last month came the beginning of the peak production season, and in the city of Wuhu, a heavy snowfall, too. The HR & Operations department at the Midea’s Wuhu factory there moved quickly, meeting all of the factory’s new employees arriving at the station with warm greetings and food, and assistance with their accommodations at the factory’s apartments.
Laundry Division Wins Gold Award at the 2012 China Red Star Design Awards Ceremony

By Blinda Li

Shortly before Christmas last December, the 2012 China Red Star Design Awards Ceremony was celebrated in Beijing. Over 500 people, including representatives from corporations, designers, as well as teachers and students from universities were in attendance. Midea’s Laundry Division made a strong showing, taking home a range of awards. Among them, Little Swan’s Beverly-series front-loading washer was highly acclaimed by domestic and international judges, winning the Gold Award of the show. The “Red Star Award” was awarded to Midea’s Vandelo-series front-loading washer, Midea’s 8000-series fully-automatic washer, and Little Swan’s “Mini Machine”.

The Red Star Award is China’s highest award in the field of industrial design, having been recognized by the International Union of Societies of Industrial Design. In 2012, the seventh year since the inception of the Red Star Award, 5,348 products from 1,279 corporations from 25 countries and regions, such as America, Holland, Japan and Britain, have competed for this distinction. Midea’s Laundry Division has always focused heavily on industrial design, resulting in an industrial design team that has grown progressively stronger over time. The group contains a great collection of veteran designers, including professors from Japan, South Korea and Italy.

Laundry Division has also established a management system which stresses attention to customer demands, innovation and differentiation. On one hand, with scientific and technical innovation as its guide, it continually offers advanced, yet practical technology. On the other hand, with customer demands are just as much a guiding force for the Division, which ensures the conformity of products to the wishes of the market.

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500 Volunteers to Confirm ‘1 kWh per Night’ with Midea Air Conditioners

By Crystal Lun

Since the launch of Midea’s “1 kWh per Night” air conditioners, they have garnered much attention amongst consumers and the entire industry. Statistics released by China Market Monitor show that the domestic model with this feature topped the “hot sale” list in China’s retail market throughout January.

Still, doubts persisted about whether the technology in these air conditioners could really limit consumption to 1kWh per night. To put these concerns to
500 Volunteers to Witness ‘1kwh per night’ of Midea AC (Cont.)

By Crystal Lun

rest, Midea initiated a customer experience event that selected 500 consumers countrywide to test and record the actual power consumption.

Selected consumers would be educated about the test, and then allowed to independently test the product. Users’ electrical meters were adjusted to zero and then sealed. The tested air conditioners were turned on at 10pm in “eco-cooling” mode until 6am the next morning it would be turned off. The seals on the meters were then broken and the readouts recorded with consumers watching alongside, signing the final results from their meters.

Such events of open customer testing are bold, and very useful for building customer confidence. This example in the air conditioner market could represent a first step to similar such promotions.

Royalstar Laundry Granted Inspection-Free Export Privileges

By Blinda Li

On December 8th, Royalstar Laundry was officially granted inspection-free export privileges at the Economic Development Zone Convention Center in Hefei, Anhui. This status was conferred by the General Administration of Quality Supervision, Inspection and Quarantine of the People’s Republic of China, announcing the first products from Hefei Royalstar Laundry which would qualify for national inspection-free export, along with the issue of the relevant certificates and plaques.

Inspection-free export means that the quality of Royalstar Laundry facilities and products have been approved by the government, which is conducive to Royalstar moving forward into the international marketplace.

The establishment of inspection-free exports is an important measure to encourage the export of high-quality products. It’s the highest quality honor granted by China for export enterprises, and therefore China has high requirements and strict standards for enterprises whose products are allowed to be exported without being inspected.

Enterprises which meet these standards are supposed to export products of good quality and reputation in the international market and require three successive years of inspection before they may qualify. Such privilege also requires a company to use its own brand. Moreover, product quality should rate in the top tier in the relevant countries or regions. Therefore, it’s one of the strictest industrial tests in China currently.

A representative of Royalstar Laundry who was at the ceremony said, “To receive this new status affirms that Royalstar Laundry provides nothing short of excellence in product quality. Meanwhile, it’s also motivating; we will take this opportunity to redouble our efforts in quality management, taking the lead to showcase the best that Chinese production has to offer.”
Midea’s Thailand joint venture hosted its Annual Dealers’ Conference at the Grand Howard Hotel in Bangkok on the 21st of February, with many Midea executives in attendance for the celebration, including JV GM Somchai Pisitching, JV Deputy GM Wu Jian, Midea Group Vice President Dr. Andy Gu, Midea Group International Division GM Coobie Zhang, and Assistant GM, Mr. Liu Hao.

Altogether, 150 dealers arrived at the conference to receive the appreciation of the company, including dealers in refrigeration and small domestic appliances.

At the opening of the celebration, Pisitching reviewed the developments and achievements of Midea Thailand JV throughout 2012, and expressed his gratitude to all dealers for their great efforts. He encouraged everyone to continue to strengthen their cooperation with Midea, proposing a target of 30% growth in 2013.

After the speeches had finished, the famous Thai actress, “Pancake”, delivered a riveting performance for the attendees, and several famous models were also present to showcase Midea’s top products. Throughout the conference, dealers also had the chance to enter a lucky draw for 50 different Midea products to be given away to winners.
Bring Home Midea. Bring Home Happiness - CMI’s New Campaign

By Himani Joshi

Back in December 2012, Carrier Midea India (CMI) launched the Midea brand in India, and with it, a range of air conditioners and home appliances. The product range includes BEE-Star-rated Midea brand residential air conditioners, light commercial air conditioners, microwave ovens and water dispensers. Positioned in the mid-premium segment, Midea represents a youthful, energetic and technology-savvy brand.

The Challenge
The air conditioning category is largely undifferentiated in brand positioning, product technologies, features, and communication. All brands talk to the same kind of consumer, in almost the same ‘clinical tone and voice’, resulting in overlap of messages. The biggest challenge was to find a relevant and differentiated territory for the brand. Addressing the same target group, the task was to find insight that was more humane in nature and yet rational enough to create the consumer connection. Launching the brand also meant breaking the ice with our consumers and establishing Midea as a strong and reliable option for those considering home appliances.

The Idea
Extensive consumer interactions with single males, females, and young couples across different socio-economic strata helped us understand their product needs, and their identification with brands. We identified that the importance of using technology by our target group was not only for convenience, but also to add to their lifestyle. Life is not perfect, and while most brands offer the concept of a perfect utopian lifestyle, we tried to address the smaller moments of truth where our subconscious suggests the outrageous yet innocent thoughts of negativity. Life is full of imperfection and that’s what makes us ‘alive’.

The Execution
Moving away from the extensively-used category code of
FEATURE

Bring Home Midea. Bring Home Happiness - CMI’s New Campaign (cont.)

By Himani Joshi

‘clinical’, in favor of more to-the-point, “Reason To Believe”-driven communication, we’d like to talk to our consumers on a more emotional level. Hence, the campaign is built around stories which are easy to relate to, describing scenarios we face every day in the household context. So the tone and style is casual, directed to these young couples who have or are about to have a new life together.

The media mix is comprised of television commercials to reach out to the masses, followed by in-store activations across 1,000 stores, and innovative POS media, inside and outside the stores for instant attention.

Throughout this campaign, the use of humor has been employed to break the ice with consumers in a language that they can relate to, rather than technical jargon intended to woo and impress the consumer.

Senior Vice President of Sales & Marketing, Sanjay Mahajan, explained further:

“Our communication is focused to create awareness about the Midea brand and connect with our target group emotionally. We needed to give the brand a differentiated and aspirational position in the otherwise cluttered space and also align with Midea’s global positioning. It takes just a little care and concern to keep negative human emotions out of your home. And Midea products facilitate this.”

Our products are designed to focus on the user. The television commercials introduce the brand message “Bring Home Happiness” aptly, and highlight key product features like quick-cooling and energy efficiency in a subtle way. The communication delivers the primary benefits like convenience, comfort and ease, along with the emotional concept of a Midea appliance inhibiting all negative thoughts within your home. The campaign was created by DDB Mudra and directed by Nicholas Reynolds, and with the tagline of “Bring Home Happiness”, the inaugural television commercial brings the promise of transforming one’s life for the better with Midea’s technologically advanced and energy efficient products. The campaign sends a message of strengthening bonds amongst the family, and highlights the emotional moments of a nuclear family. The tone and style is casual, directed towards young couples.
1st Anniversary of PT. Midea HVAC Indonesia & V4+S Launch

By Amber Liu

March 21st, 2013, marks the date of the 1st anniversary of the Midea CAC joint venture in Indonesia: PT. Midea HVAC Indonesia. To celebrate the JV’s first birthday, Midea brought its most advanced VRF product, the all-DC inverter V4+S, and the 4th generation Intelligent Manager of Midea (IMM). Around 200 guests, including sub-distributors, project owners, contractors, and developers attended the function.

During the seminar, the Marketing Director of Midea CAC, John Wei, gave a welcome speech to all attendees and reviewed the rapid development of Midea CAC over the past year. Following this, General Manager of PT. Midea HVAC Indonesia, Hartono Joseph, reviewed Indonesia HVAC market information, pointing out the company’s objectives for 2013 as continuously ambitious, with the goal to achieve a top 5 in the Indonesian market.

Indonesia is the largest air conditioner market in Southeast Asia and enjoys healthy economic conditions and strong demand for large commercial and residential construction projects. According to 2011 BSRIA (Building Services Research and Information Association) data, air conditioner sales in 2011 were approximately 1.9 million units, signifying a 30% year-on-year growth. VRF air conditioners showed strong performance with a market volume of 5,600 units and sales value of USD$54 million.

After the opening speeches, the Midea team formally presented the all-DC inverter V4+S and the 4th generation IMM, with integrated Bahasa interpretation. During the banquet which followed, all attendee sang Happy Birthday to the company, and the Board Commissioner of PT Midea HVAC Indonesia, Toto Djamaludin, blew out the single candle on the birthday cake.
GMCC Shows its Green Side at the Shanghai Appliance World Expo

By Crystal Lun

GMCC, Midea’s compressor division, made an appearance at the Shanghai Appliance World Expo (SAWE), showing off its R290 and R32 compressors, touted as environmentally friendly.

As HCFCs (hydrochlorofluorocarbons) are now banned in many parts of the world, GMCC environmental compressors are becoming more and more popular. A perfect example is the selection of GMCC’s R290 by the United Nations for the organization’s Montreal Protocol demonstration project. Additionally, GMCC has begun production of the first R32 compressor in the worldwide market, having resolved the difficulties of applying the R32 refrigerant, resulting in excellent performance, energy efficiency, and reliability.

Up to now, GMCC has accounted for over 25% of the global market, and even more for inverter types; over 30% of the market. With its strength in innovation, customer service, and brand promotion, GMCC continues its remarkable growth in popularity.

This year’s first order of R290 compressors for their European customers has recently been completed, which marks a milestone for Midea’s compressor business.

More about the SAWE can be found at http://www.appliance-expo.com/en/
A Long Way From China

By Matthew Smith & Mandy Wang

Lewis Fu
Deputy General Manager

Introduction:
Lewis Fu began with Midea in China in 2004, and in 2007, he was transferred to Brazil, to serve as the Country General Manager for Midea in Brazil. Currently, he is holding the position of Deputy General Manager. In his own words, his mission is to build Midea into a powerful brand.

ADVANCES: The JV’s first anniversary was during this past November. What did you guys do to celebrate? Did the staff in Sao Paulo get together with those in other offices or do you have your own event?
Lewis: The celebration here was different from that in Canoas. We celebrated in the bar, drank some beer, and had a draw for several prizes, including air conditioners, microwave ovens and other appliances. Oh, there were a lot of beers! This is the traditional way to celebrate in Brazil.

ADV: That must be a lot of fun! Midea and Springer-Carrier had years of history in the home appliances industry separately, but with the JV, it’s a whole new company. During the past year in this JV, you must have experienced a lot. Can you use two key words to describe your work over the past year?
Lewis: I would say CHALLENGE and GROWTH. For challenge, first, the macroeconomics were not good for 2012. The GDP was growing much less than before. Second, we had the integration between companies, which means that we have two different systems and two way of doing business. There are a lot of things that we needed to adapt to develop the processes of the company. Those were the challenges. For growth, in the old “Midea do Brazil”, there were around 60 employees, but right now we have more than 1000. So it had grown considerably. The business was also growing, but most importantly, it was growing with sustainability. With Carrier’s management system, the JV is following a plan regarding financial, marketing and strategic making.

ADV: So in the past year, we have grown in a world full of challenges. What do you expect from the company in the coming year?
Lewis: I would say diversification. One of the biggest challenges for our company now is to expand our portfolio to other home appliances. In the air conditioning business, we are already the leader, taking up more than a third of the market. We don’t have much space to grow in this area...
terms of market share. However, in other home appliances, it is still an ocean for us. Our next step is to invade the kitchens and laundry rooms of Latin America.

ADV: How are we going to achieve this goal?
Lewis: We increase our portfolio of home appliances. We will try to introduce Midea home appliances here. When introducing those products, we do research and make adjustments to existing products, making certain adaptations to the local market, according to our market research. Right now we are the leader in air conditioning and we want to be more active in other appliance sector such as kitchen and laundry. We will introduce more product lines into the market, such as washing machines, refrigerators, microwave ovens, and other major appliances.

ADV: So basically, we’re not putting all our eggs into one basket, right?
Lewis: Yes. We should plan our strategy and make the right choices based on this planning. In this case, Midea and Carrier’s operation of the JV can create very good results. Midea typically plans little but acts very quickly. With this dynamic and fast culture, you are going to capture the market opportunities. But if any decisions are wrong because of the lack of planning, there may be much suffering. Conversely, while Carrier plans very well, they lack speed in execution. Many things are done on paper, but nobody follows through because of the risk. For this kind of company, you can avoid suffering from large fluctuations, but you are going to miss the opportunities, too. Those are the two philosophies of our companies.

ADV: So it is a good thing for the JV, combining these two complementary philosophies to take advantage of the best aspects.
Lewis: You are right. Something we need to maintain and something we need to change. I have worked for Midea for 8 years, but during this time it has actually been with different companies with different cultures. For the first three years, I worked in a Chinese company in China. Then for the next four years, I worked in a Brazilian company, Midea do Brazil. And right now, I feel like I am working in an American company, because this company maintains so much from Carrier. So in a way, I have always been in Midea, but I have had many diverse opportunities, and I have been enjoying the differences.

ADV: Since you have been in Brazil for a long time, you must have become very used to the culture here.
Lewis: Yes. I have been here for many years now, and I am beginning to love it here, the way people do things here. I worked in Midea in China for 3 years, but I have been working here in Brazil for 6 years. I am completely accustomed to working and living here.

ADV: What’s the brand strategy for Midea in Brazil? How are you developing Midea brand?
Lewis: Globally, we have the chance to become a top-three
brand in home appliances. This is also true on a local level in Brazil, Argentina and Chile. We are doing the consumer research, product preference tests, before we launch products. In the OEM business, what we need to know is the client. Clients tell you to do this or that. Clients tell you which color of the product they want. Clients give you the information and you visit them to get more information, and then you build the product. But you don’t know why you need this color because you never participate in the consumer research. Now we are building our own brand, and we need to know what the consumers need. We research with consumers and build the product. If you look at the capability of the company, Midea is the leader among most of our competitors. Looking from the size of the company, we are bigger than Electrolux. We are top-three in the global home appliances industry. We can be better. The secret is that we need to know the consumers more. If we know the consumers, our competitors will have no advantages. As you can see, we have our own manufacturing bases.

**ADV:** Yes, this is certainly one of our strengths. We have very strong manufacturing bases in China and in Brazil, among other places. If we know the consumers, we can take greater strides. What kind of market research have your team done in order to get to know the consumers?

**Lewis:** Let me tell you about one study we did. We put our products with those of competitors out for consumers to choose for ranking. In the study, nobody can see the brand on the product, so brand tagging will have no impact on the consumer decisions. The first-ranked product was another brand, and the last-ranked was our brand. But interestingly, both products are manufactured by Midea.

**ADV:** Ah…It is very interesting! The best- and worst-ranked are both manufactured by us.

**Lewis:** Yes. No brand name was attached. This poses the question why Midea can make better products for OEM customers, but not for itself.

**ADV:** What do you think why this happened?

**Lewis:** I think our process is not right. If we had the right process control for raw materials, Midea brand would be chosen by our consumers. Right now, Midea is like a lion in the cage. The zoo keeper is feeding the lion by meat every day. Okay, you eat. But you never learn how to hunt. But you are still a lion. If you get out of the cage, you learn how to hunt and you hunt. I have been thinking about this after the test.

**ADV:** We have the ability to make it. We just don’t know the consumers, but that’s where we are getting to now, right?

**Lewis:** Yes. The example I told you gave me a very big impression. We manufacture the best products and also the
worst products. So the secret goes back to the need to know our consumers. We need to engage in more consumer research. Previously we just chose models from China and didn’t do the consumer research. Right now all the information we get is from consumer research. When we design products, we ask our consumers to choose. If 70% of the consumers choose the product, then we launch. If only 30% of consumers choose, we cannot launch. By using this process, we can increase the probability of a successful product launch.

ADV: It’s clear how important this market research is - we can’t just sit in the office and hope consumers will tell us what they need on their own. But does this apply to all home appliances?

Lewis: For air conditioning, it might be less related, because for air conditioning, it’s on the wall, and you will never touch it, and have little interaction with it. But for refrigerators, washing machines, or rice cookers, these are used every day. So if it is not good, consumers will not like it. People know it is good or not, by how it feels and how it functions. From air conditioners to other home appliances, we still have a lot of homework to do.

ADV: Are there any actions you’re taking for the Midea brand to build it into a world-famous name like other international home appliance companies like Electrolux and Whirlpool?

Lewis: In the past, we got microwave ovens from the microwave division with one kind of style and air conditioners with another kind of style. And then we put all the product lines together, and what do we have for this brand? It is like wearing slippers with a suite. If you’re wearing a suit, you must wear the correct shoes with it. That’s why we are focusing on the design and customer research to build the brand. We are going to use something called “visual brand language”, which means that you can see from the refrigerators, washing machines, air conditioning or any other products that they are using the same design. We are going to have a whole family of product lines, which makes this look like a brand. Our goal is to be stronger than the local companies and the same level as other international companies. We cannot be in a lower tier than local companies. You come here to sell because you are strong. If you are not strong, then why come here?

ADV: Maybe we just need to realize the differences between ourselves and our competitors, and be a little bit innovative in our products, tailoring them to our consumers.

Lewis: Innovation comes from the careful study of the consumer's needs. Midea doesn’t have a complete database for consumers. The company needs to be more consumer-oriented. If we are taking everything from China to sell here, we are not building the product as they really need to be. How can we succeed?

ADV: When we do market research, do we get any supports from Midea headquarters?

Lewis: Of course. Our revenue is very significant, and we have budgets for the branding efforts. We just need to use the marketing budget intelligently and smartly. We can’t use the budget and then miss our targets.

ADV: What improvements have you seen in Midea since the joint venture was established?

Lewis: The company has become more open-minded. I see more people hired from outside, foreign countries, other companies. It is not just people grow inside the company. Midea is trying to get some “new blood”. If the company cannot absorb the talent, they leave. Now I see more faces.
Regis He
Associate Director, Finance

Introduction:
Regis came to Brazil in October 2011, as the Associate Director for the Finance department. Prior to this job, he was in charge of the Finance Department in the Midea International Division. Regis also served as a Senior Manager of Finance and Managerial Accounting, and as head of Finance at the Hualing Refrigerator and Commercial Air Conditioning Division. Regis has been working in finance for more than thirty years, and he also went through many of the changes Midea has seen over the years, including involvement with some of the bigger acquisitions made by Midea.

ADVANCES: What’s your story, how did you come to be here?

Regis: Before I arrived, I was still in the Midea International Division, and my manager phoned me up one day, asking whether I would like to accept this opportunity to work abroad at the Midea Carrier JV in Brazil. I thought this would be a very good opportunity and challenge for me to learn and to grow, and thus I accepted. That is how I got here.

ADV: Before coming here, you worked in the China for a long time. The experience of expatriating could be very valuable to some people. How about for you? What is the biggest gain you’ve realized through working here? What challenges did you face?

Regis: Let me talk about challenges first. The cultures and values of the two companies are different. Working abroad, you have to face some cultural conflicts. Most of the conflicts come from the different kinds of values from country to country. Brazil is a very open-minded country, and there is some divergence regarding cultural values compared with China. Culture conflicts also exist in this JV, because in the past it had been under the governance of Carrier. This joint venture is quite westernized, while Midea is a traditional Chinese company. At the beginning of the JV, there were some disagreements between both parties. Understanding can be so challenging because of the different cultures of two groups of people.

I think I have adapted well to the local culture and ways of doing business. The bigger challenges come from family more than work. My wife and child are both still in China, and since I am in Brazil, I cannot take good care of them. Sometimes, I really miss my family in China, especially on weekends or holidays. By working here, we gain a lot of valuable work experience, but it is at the cost of other things such as this. But overall, I feel like I have achieved and learned a lot here, and this has been a good opportunity for me.

ADV: How do you think of the development of the JV over the past year?

Regis: In the beginning, we were a little bit worried. On one hand, the overall market environment was not very good, and on the other hand, our way of doing business is quite different from that of the local people. But we were full of...
hope for the company’s future, because we could feel that the company was growing gradually, everything would become more stable. In the future, Midea Headquarters should maintain proper pressure on us.

ADV: What do you mean by maintaining proper pressure?
Regis: When I mean pressure, I am referring to the pressure of having a clear goal for the future. Once we have a clear goal, we can commit to that. A clear goal for a team can guide us to the right direction. We need to have feasible goals, which we set by doing research and evaluation. In Carrier, they have to study and research extensively before setting a goal. It is a very scientific way of doing business. We need to have data to support why we are setting this goal. This is what Midea should learn from the joint venture. The integration of Midea and Carrier is a good opportunity for both parties to learn from each other. During the integration, we need to rely on each other, but to maintain some independence, as well.

ADV: What are your expectations for the company for the coming year? Are we facing any specific challenges or opportunities?
Regis: We will be facing challenges, mainly from the market, especially in the air conditioning. Right now we are the leader in the air conditioning market. It is challenging to maintain the number one position. Many companies are trying to enter this market, particularly companies from Korea and Japan. The whole market size is mostly fixed and there are competitors trying to eat up some market share. We need to think about how we continue to maintain our current market share and maintain our leadership position.

For the future, Midea can be a great supporting player for the JV. We can introduce the Midea brand and its products into the Latin American market. The country has been going through rapid growth and there is great potential to maintain this momentum. Resources are abundant, especially the economic resources. The growth of the economy is heavily reliant on natural resources, such as oil and iron. Having such rich resources is one of the strengths of Brazil, which will help the market a lot. I believe Midea can realize good achievements in the current economic climate. This is a good situation for Midea and the JV. Everything is going smoothly at work, but we need to continue improving our communication.

Sometimes the understanding of a matter is different between the JV and headquarters because of our cultural differences, the ways in which we think. For example, if we want to launch a new product, the JV needs to consider carefully whether that product is competitive before proceeding. In China, we are more concerned with entering the market first, and then making progress gradually after that. These are two different company cultures. The full integration of these two styles will take time, but we are looking forward to that!
By Matthew Smith & Mandy Wang

Benjamin Peña Isla
Business and Marketing Manager, Midea Carrier Chile

Introduction:
Benjamin has a background different from many others who entered the ABC JV with Carrier; he started his career in the telecom industry in Brazil and Chile, before joining Midea in its pre-JV days. This background seems likely to serve Midea Carrier Chile very well, given the significant difference in this market regarding air conditioning and home appliance products, and the need for expertise outside the traditional air conditioning business.

ADVANCES: Thank you for sitting down with me in the middle of your busy day. So, can you tell me how long you’ve been with the company, and have you always been in Chile?
Benjamin: Well, I joined the company in October 2010, working for Midea in Brazil. After that, I came back to work at Midea Carrier Chile in June 2012, so a little over two years now.

ADV: Where were you before Midea?
Benjamin: I originally moved away from Chile to work for a mobile telecom software provider in Brazil. Before that, I worked for Bellsouth back in Chile, a mobile telecom company, which was eventually bought by Telefonica - my first JV! [laughing]. At that point, because my wife is Brazilian, we agreed that if I would look for a job back in Brazil, and if I had no luck, then we would stay in Chile. Soon after, this telecom software provider hired me, where I worked for about 4 years. After this period, First Group approached me, which was partnered with Midea at the time. I had never heard of them, but the Commercial Director who called me was really professional, really clear about the objectives, and I liked his professionalism very much. I thought this was a good opportunity, so I went home and started to research Midea, after which I became even more interested.

ADV: That’s a lot of experience between two fairly different markets. And before the JV, you were actually with Midea, not Carrier.
Benjamin: Yes, and the original company, its main owner was not the owner of the brand, so his primary focus was to sell, and he was very good at this, but not so much at building the brand – he was much more focused on the short term. We were doubling the sales every year, and Midea became very concerned that this company should be better structured to support such growth in the coming years; the company’s marketing department originally was from the First Group side, and Midea wanted their own marketing department dedicated for the company in Brazil, to support their brand specifically. So that’s how I started there, to help develop this marketing department for Midea, to strengthen the brand, the products, select agencies, the team, and start many things that were not done before, so it was very interesting.

ADV: It must’ve been nice to be “in on the ground floor” with Midea’s marketing efforts there. What was your initial feeling when you first heard about the JV with Carrier there? Most of the people I’ve met from the ABC JV with were
originally with Carrier, but you came from the Midea side of things.

Benjamin: When I was interviewed by the First Group-Midea company, they told me from the beginning that the company would be sold to Midea. At that moment we hadn't even heard about Carrier as a potential partner, but it was very good news to us, because many of the ideas that we had for growing the Midea brand at the time were not supported by the Brazilian side of the company, which made sense – why paint the apartment if you know it's pretty much already sold?

ADV: [laughing] Yes, that's a good point.

Benjamin: Then when we finally heard that Midea would be joining with Carrier, we started working with them very early on, in terms of marketing. When the JV was announced, in September of 2011, there was the biggest air conditioning fair in Latin America, and even before the official announcement, we coordinated on presenting a single booth at the convention, for Midea and Carrier. In fact, this convention was especially important for us because it happens only every 2 years, and so the timing of this was critical.

ADV: Was there anything else that made the timing of the JV very favorable?

Benjamin: Yes, well, in general it was clear that Midea needed more structure, which we were able to adopt from Carrier. But, even though it seemed like we were losing time with the necessary integration between both companies, we were actually buying time. Really, the timing couldn't have been more perfect. Maybe the most critical factor in the deal also came in the second semester of that year: a importation tax increase in Brazil that doubled the rate, literally overnight. An import-dependent company running a lucrative, very profitable business the day before would suddenly be facing catastrophe on the next. So this was a key reason for the JV. At the time, Carrier already had two factories in Brazil, and one in Argentina, which could help Midea to maintain its business in Brazil. There were some companies, like York, that is, Johnson Controls, who actually sent a letter to their customers in Brazil, saying they were going to be out of business, just because of these tariffs. Without Carrier, Midea also had no reasonable way to stay in business in Brazil within the short term.

ADV: Yes, because as you mentioned with a company like York, maybe the time and investment needed to suddenly put up a manufacturing base in that market were just too massive, and they had no choice but to stop selling. But Carrier already had that local capability in place.

Benjamin: When Carrier bought Springer, it was already a very traditional brand in Brazil. So they already had a very important installed base of factories and offices everywhere, so they started with a strong structure and team already working. Midea was very, very quick, but at the same time, was lacking lots of procedure; very quick, but needed more infrastructure to continue growing. So it was a good match.
ABC JV PEOPLE

A Long Way From China (cont.)

By Matthew Smith & Mandy Wang

ADV: What was the feeling between these two companies when they first joined, the difference in cultures mixing together?

Benjamin: I think that the feeling all around was, “Thank God for this JV.” Because Carrier was lacking possibilities for doing new things, and the structure was so rigid. Midea was just the opposite: very quick, without a big decision-making structure, it was very flat, with few people, very fast to make decisions, and just very different from Carrier in that sense. The people from Carrier wanted this just as much as the people from Midea. The JV was a perfect marriage for everyone, really.

ADV: How about specifically in Chile?

Benjamin: It’s especially great for us here, because Carrier’s business was quite restricted, market-wise, as it is based entirely in commercial air conditioning, and the residential sales in this market are not strong at all because of the mild climate, while in other countries the residential sales would actually make up the bulk of the business. With Midea, there’s a lot of opportunity to expand our product offerings within and beyond air conditioning, especially with the open trade environment here.

ADV: Yes, Roberto (General Manager of MC Chile) mentioned this unique aspect about the Chile market for residential air conditioners, that it’s really very shallow in demand, and that it’s difficult for many outsiders to grasp this idea, when the residential market is comparably robust just next door in Brazil and Argentina.

Benjamin: Actually, when I came here, he took some time to explain to me, while we were going through the business planning - many times when explaining some key issues, he said, “[for air conditioners] you need to change your way of thinking when you come to Chile,” because many of the truths that you have in Brazil, when you come here, it’s not true, it’s different. It’s a way of seeing things differently, and so this is why Roberto is doing so well in terms of sales, actually. Business in 2012 was over the plan, and 20% over last year, in terms of sales, reaching the company’s highest value in its history. I think it’s because he understands how the market operates in Chile, beside the fact that the country is doing well-- politically stable and growing, but our sales have been growing even more than the average here. The commercial mechanism is different here from other countries.

ADV: Yes, this definitely sounds like a case where local knowledge was a critical factor. With the complexity of the air conditioning market in Chile, can the Carrier business help Midea to capture more market share for its own products?

Benjamin: Yes, it’s good for Midea to be on the Carrier platform – Carrier has a lot of brand recognition, and it would be very surprising for anyone planning an air conditioning project to not approach the company. It’s a good platform to launch the Midea brand from. For home appliances though, it’s different, since those products go through retail channels, which we barely had any experience with. But the Carrier name has always been known as one of the best in its industry, and to put Midea hand-in-hand with that really forces people to look at Midea differently. It’s like when Volvo was bought out by that Chinese company.

ADV: Ah… Geely, I think it was? I know what you mean.
While Volvo is the most respected name in the world in terms of automotive safety, Chinese car companies probably suffer from the opposite perception, even just as a knee-jerk reaction. But after Geely acquired them, most people probably had to imagine this making them better... it's a great example of what you're saying, really.

**Benjamin:** Yes, it forces you to alter your perception on this company, and this is especially important in durable goods, where trust is paramount. So, I think this is another thing that Midea gets from standing alongside the Carrier brand in the JV.

**ADV:** This certainly helps the AC business, but you have bigger plans for Midea in Chile, don’t you?

**Benjamin:** The AC business in Chile, it’s about $100 million per year. Washing machines on their own are $100 million as well. If you talk about the combined markets in which Midea offers home appliances, those markets in Chile are worth a combined $700 million per year, so it’s seven times the current market that we operate within. This is the massive opportunity we see in front of us now for expansion. We want to double the sales of the company in three years, and this is with the presumption that presently the large majority of such growth will be through the Midea brand.

**ADV:** I previously read about the air conditioning convention here back last summer, where MC Chile was first introducing Midea products. You already had Carrier and Toshiba brands in the market. What was the challenge with fitting Midea into its own positioning?

**Benjamin:** That’s interesting, because actually, MC Brazil has always had their well-known, mass-market brand, Springer, and MC Argentina has had theirs, Surrey. But in Chile, we didn’t have that extra, price-competitive brand in the market. So for us, Midea is actually the missing piece of our puzzle here in Chile, on segments that had been growing recently. MC Chile was more into bigger projects, entirely focused on the Carrier brand, offering no chance to pursue a more competitive angle with the limited investment we had. So there was a space in the market that was being exploited by Midea’s distributor in Chile, named Anwo, and they are very aggressive, and they built a very interesting mid-tier segment of residential and light commercial products. Carrier felt it was not feasible for them to approach this segment, because of the required investment and pricing. So, what happened? Anwo entered the residential/light commercial mid-tier segment, and LG entered the VRF market, because MC Chile had only Toshiba in VRF, and it was way more expensive than LG. So you had Anwo and LG that started to have interesting business in Chile, because MC Chile didn’t have a competitive portfolio. But now finally with Midea, we have a portfolio to compete with – in VRF, residential, and light commercial, and we have had no issues with our Carrier and Toshiba brands, as they’re very premium, and above Midea in terms of pricing. So now the main issue is, how not to be too aggressive so that Anwo will still buy from Midea. So, what we did is, we are entering the same segment as Anwo, at the same price – we are not going lower than Anwo. We are just offering a competitive product, in the same segment. If Anwo has a certain type of split for $200, then we’ll have the same split for $200. Carrier is always 10% over Anwo and Midea.

**ADV:** And this way Anwo won’t feel that you’re stepping on their toes…

**Benjamin:** Actually, they were concerned about their toes being stepped on – they even sent an email to the head office in China, saying that we were doing crazy things – they were very concerned. But we explained the situation fully, showing how we were not undercutting them at all, and this calmed things down. However, despite this, they are switching to Gree for part of their supply.

**ADV:** They decided it would be good to hedge on supply, regardless.

**Benjamin:** I think they are worried because they know we’re Midea, and we’re both their supplier and their competitor. Today is OK, but tomorrow the pricing might not be so good, and they can’t rely on having priority in terms of lineup or if there are shortages in supply, among other things. In Brazil, it was a really similar situation with Komeco, same story. When Midea finally came in, and started growing, they switched to other manufacturers to reduce their risk. But it's important for us to offer our own products - it would be
confusing for the market to see Midea Carrier not selling Midea products, and we don’t know what Anwo might do tomorrow. They’re an important customer for Midea, but Midea’s local presence is even more valuable because of all the opportunities that were being left untapped, and besides, nobody can say whom Anwo might buy from in the future.

ADV: Yes, they have to look out for their own interests, but so do we. Can you tell me more about the strategy that goes into such a unique, one-sided air conditioner market?

Benjamin: Chile’s air conditioner market is commercial-driven; it’s a B2B market, way more than B2C, because of its mild weather, so it’s very important to understand that technical issues matter more than image, right? That is, the brand is actually still very important, for customers to know the size of the company and its credentials as a worldwide leader, but the way that we reach people and promote the brand is very different. Efforts are more long-term. If we do some above-the-line promotion, like a TV commercial, it’s like killing an ant with a cannon, right? Our customers are only a relatively small number of companies, and not the mass-market. So it’s important to have more emphasis on relationship management than mass communication management. Having said that, it will be different when we start into home appliances, and it will be good for the AC business as well, because the Midea brand will be nationally known. Another interesting thing I can mention is that nobody in Chile keeps any stock of air conditioners. In Brazil, you have a dealer, they buy from you, then sell to the market; retailers do the same. In Chile, nobody maintains a stock. The only come to buy from us when they have a project. Installers will buy directly from us as they need anything. We receive visiting installers every day. Our office is really more like a showroom, a store. In Argentina, you have Totaline stores, as in Brazil, but the client doesn’t come to your office constantly to buy from you – you go to the dealer, you go to the retailers. But in Chile, they come here to discuss quotations.

ADV: Yes, Roberto was saying how this was a reason behind the change in office space for MC Chile. The previous office was smaller than this one, more expensive, and while the other space had great exposure to the metro and its traffic moving through there, this kind of office/brand visibility just wasn’t worth the sacrifices.

Benjamin: Yes, this building has twice the space, and while it’s not a high traffic area, it doesn’t need to be – anyone who needs to buy AC from us already knows where we are. As you know, 99% of people in Chile will rarely or even never buy air conditioners for their homes (for now). None of my friends have air conditioning in their homes. So they’ll see your brand, but this will not be relevant for them, as a residential consumer. So then, when we enter the home appliances business, the battle will be at the stores.

ADV: Outside of air conditioning, tell me about what’s coming up next.

Benjamin: We want to launch home appliances in Chile, because of the opportunity in the market here, and the wide selection and availability of products from Midea. So the key issue was to identify the segment in the categories which had the most opportunity for building the brand, not just selling. So in the first moment, we said we want to approach the market, going from the medium-sized market to the big-sized market. The “big 3” in Chile are almost everywhere – refrigerators, washing machines, and stoves. So these are the big 3, making up more than 60% of the 700 million dollars in the appliances market. Then we have medium-sized markets, and many of them are very related to the bigger ones. For example – tumble dryers are very related to washing machines, freezers are very related to refrigerators, and microwaves and toaster ovens are very related to stoves. So our initial strategy was to launch the brand in these medium satellite markets to begin with. But when we went to China production facilities, we immediately saw the enormous opportunity we had with Midea’s washing machines. On the other hand, we also saw that the freezers were not quite ready for use in the launch. So actually we moved from the initial strategy to a plan for launching washing machines and tumble dryers together, along with microwave ovens and kettles. Another important thing, for Chile at least, was to avoid launching the brand with only small appliances, because in the beginning, there was the idea that launching with small appliances would carry less risk. However in the history of
Chile appliances market, there has never been a company that moved from small to large appliances, so that was an issue. Also, in the small appliances market, the retailers themselves have their own brands, so many times we’re going to be competing with those brands as well as the usual ones. Also, there are also many more importers in Chile in small appliances, adding to the competition. There was a danger of having a weaker portfolio here than even a very small importer, and also of jeopardizing the future by positioning ourselves as only a small appliances brand.

ADV: Yes, I see what you mean – good reasons not to limit yourself to the small appliances categories, especially in a place like Chile where you don’t have to worry about import restrictions and tariffs like in Argentina and Brazil. Certainly a move into major appliances in either of those countries would carry a lot of risk, but in Chile, you don’t require the upfront investment in local production that you would in those other countries. And I can see that people might be skeptical if you led with small appliances first and then introduced major appliances later – they wouldn’t believe the company could move from smaller and simpler onto larger and more complex. Better to start with the latter and move toward the former.

Benjamin: Yes, that is how Haier, Samsung, LG and others launched their brands. But we also have to start slowly, without too many categories, and so we finally chose the laundry appliances, washing and tumble dry machines, because of the experience and professionalism of those factories, along with microwave ovens, with their incredible support, and kettles. We were considering refrigerators in the brand-launching formula, using high-tier models, because they can play as a strong icon for the consumers, the symbol of a home appliances brand. In terms of small appliances, it is interesting to mention that although small, kettles are very big in market size, as big as microwave ovens. Midea already sells to the market leader in kettles, so there’s some familiarity there, too. We’re aiming to reach the market with a certain image and position, and I think our president, Carlos Renk, expressed it well: “On the high-side of the medium-tier segment.” Even the guys from Midea told us, “Midea is not a high-tier brand, so don’t waste your time positioning it in that way, because this won’t be possible in the long term, consistently.” But we’re choosing the best that we have, in terms of showing the power of our portfolio. Even though the market is bigger on simpler designs, we’re focusing only on our best models, to give people a strong first impression. Later on, even if they go looking for a lesser model, they’ll still have the quality of that higher-end model on their mind. It’s a little like when you want to establish a
new relationship - you wear your best clothes! [laughing] We need to show the best that we have. This is what Haier did in Chile, too. When I go into the retailers here and ask the sales people about Haier, they say, “Actually, Haier is a good brand.” This is a great thing they have achieved, and that’s what we need, too. In fact, we will only have two product lines per category; one high-tier to show the quality and impress people, and another mid-tier that most people will end up buying. Of course, the mid-tier products will also be good, nothing cheap. For example, the mid-tier microwave oven will have mirror glass, ceramic painting and an elegant design, but the high-tier will include inox (stainless steel), and a grill and flat system, a technology almost unknown in Chile, thus far. For kettles, we will launch a high-tier model with a digital temperature control, also nearly unprecedented in this market. For tumble dryers, we will have an A+++ energy efficient condensing model, but also models that average consumers could easily afford, and so on.

ADV: Ah, it’s interesting to hear about the kettle offering- it shows that you’re doing something different and innovative with a product that most would guess could not really be developed any further. Aside from the detachable base, kettles haven’t changed too much since they were first invented.

Benjamin: Yes, that’s the idea, and of course, we also want them to be seen with major appliances, too… particularly, our leading category, washing machines, and especially front-loading models, where Samsung and LG focus their communications. But the Chile market is 90% top-loading right now.

ADV: It’s like North America, too. For the longest time, everyone had top-loading units, until one day, every piece of advertising and other promotion was aimed at front-loading, showing it as more economical, more sophisticated, and even more attractive. And now everyone has them, seemingly overnight.

Benjamin: Yes, so our high-tier product will be a front loader machine here, too. And we’re still thinking of choosing a top-loading product, too, because right now the market remains all top-loading, so it’s best not to forget this.

But all the communication will be focused on the front-loading, high-tier product, similar to those from Samsung and LG. We want to differentiate, but we also want people to understand that we’re in this top group of the big, international players in the home appliance game.

ADV: Yes, and I think the fact that a company like LG mostly came out of nowhere with their new brand years ago, means that Midea has the same opportunity to step into this market, completely unknown, and with the right products, people will accept them just as strongly, almost as “another LG.”

Benjamin: And again, this is why we focused only on products where we could see the highest quality in the factories themselves, because we want to avoid any quality issues when introducing our brand to the market in Chile.

ADV: Yes, and while Korean companies have never had much in the way of negative preconceptions relating to product quality before, this certainly exists for companies from China, and so it’s even more important to cut through these negative preconceptions with excellence on the first product offerings, and not to prove anyone’s fears to be true, because there might be no second chance.

Benjamin: Yes. It’s very, very important to have great communication and honesty between us and the people back in China, because their performance affects everyone. In fact, Fred Xia (Associate Commercial & Marketing Manager in MC Argentina) was a great help to us, when we toured the factories back in China, because he could ask them the specific questions about quality.

ADV: So… looking over the entire past year since the formation of the joint venture, what would you guess has been the greatest accomplishment for MC Chile?

Benjamin: I suppose it would be the fact that we surpassed our plan by double digits, and also that we have managed to introduce the brand and sell Midea products very fast. In fact, this process was already happening as I first arrived here, and shipments were already going out.

ADV: Those both sound like great achievements for MC
A Long Way From China (cont.)

By Matthew Smith & Mandy Wang

Chile, I guess you can’t easily choose just one of them. So then, what do you see for MC Chile in the next year?

**Benjamin:** Well so far in Chile, we’ve generally been the smaller branch of the ABC JV, but now that we’re moving very fast into home appliances categories, we can contribute even more and become a regional platform for product development, a lab in a sense, for products and brand image. We’ll be much closer to what Midea strives to be globally.

**ADV:** I’ve also read of the fairness and predictability that comes from the lower corruption and greater transparency in the government in Chile.

**Benjamin:** Yes, and Chile is an interesting place to do business also because many of the retail chains in countries like Argentina, Peru, Colombia – these are Chilean chains. Such as Falabella and Cencosud. So being here allows a closer relationship with their head offices.

Carlos Renk said as much, stating that Chile is a very important country as a test market, a place for exploration and strategic development. Many other significant global companies, such as Google, also took their first step into Latin America through Chile, with Haier as the latest example.

**ADV:** Are they in Brazil, as well?

**Benjamin:** Not widely yet, mostly because of the cultural differences, probably. But for a business with an interest in the rest of the Spanish-speaking countries in South America, establishing a base in Chile can create many benefits.
James Yu  
Marketing Manager

Introduction:
After having worked with James for more than half a year via emails and phone calls, I finally had a chance to meet with him in person, here in sunny Sao Paulo. When I first met him, he was smiling and warmly welcomed me, which definitely matched my impression of him: always upbeat about work and life. And for someone who had come from so far away, he seemed to be very natural in this environment, having even learned a good amount of Portuguese.

ADVANCES: Hello James, it’s good to see you - can you introduce yourself to our readers?
James: I joined Midea in 2005, working in domestic sales for three years, and then I transferred to the Midea International Division Marketing Department for two and a half years. After that, I went to Singapore, taking responsibility for brand marketing for ASEAN countries. After that, I was assigned to Midea Carrier’s Latin America marketing team, which was a little over a year ago.

ADV: It is an interesting change for you to move sales to marketing. How did that happen?
James: My transfer to the Midea International Division was supposed to be in sales, but by 2008, the guys in MID were looking for someone experienced on the domestic side to help push the globalization effort, to set up a system for marketing & branding in headquarters and to develop the Midea brand in oversea countries, aside from our existing OEM business, so I was actually pushed to enter the marketing department. At that point, I took responsibility for branding over the next two and a half years. I experienced much as the company became more global over that time. But as you know, Midea changes quickly. As someone originally from sales, I felt strange when I first moved into marketing. But actually I think the change was very good for me, and I learned a lot.

ADV: What’s the biggest difference between working in sales and marketing? What did you gain from this transition?
James: I have to say, a job in sales in China is very detailed and carries much pressure with it, as we all know that competition is so tough inside China, even though Midea is such a giant in the market, already. When I worked in sales, I hardly ever had a vacation. The biggest advantage of transferring to marketing, is that you have a better view of the global picture. You know what we are doing in different countries. This is interesting. If you are talking about the personal experience, it depends on whether you are in the headquarters, or abroad. It depends on the distance between you and the market you’re working on. The work in Midea HQ is more strategic while in the branches, it’s more detailed. If you are in the headquarters, most of the days you’re communicating with people in the overseas companies, but not consumers. If you are based in the specific country, you are communicating much more with the market and the consumers. You can go to the shopping mall to see your products, you can talk to the consumers, and you can go and do some of your own investigation. That’s something
ABC JV PEOPLE

A Long Way From China (cont.)

By Matthew Smith & Mandy Wang

we can’t do from the headquarters.

ADV: Since you’ve now worked in three different countries, how do you feel about those different cultures? Do you think those overseas companies are doing well? And what do people from headquarters need to learn from this?
James: It could be said that the HQ is more focused on centralization while the JVs are more focused on localization, and the Singapore company is somewhere in the middle. If you are talking about cultures, they are very different between the JVs, the overseas companies, and the headquarters. They all have their strengths that each should learn from the others.

ADV: What has impressed you the most throughout your positions working abroad?
James: It is the new ideas and different views; your mind becomes much more open and enriched with different views from these different people and their cultures, which lead you to having new thoughts and ideas. Your world is more open once you have lived abroad.

For example, when I used to work for global branding in headquarters, I thought it was better to build multi-brands system to get more market share in different countries. After I worked in Singapore and Brazil, I think it depends on the market, the forecast of your company and the strategy of your company. For example, we started Comfee here, selling it as B2B, and also in an online store. The volume was large, but the benefit was not so good. If you look at the market, you can see we had good market share. But for the brand, it was not so helpful for Midea. It was a matter of choosing between market share or a strong brand. If you can’t get any benefit from the sub-brand, but you have market share, why don’t you just invest more in the main brand?

ADV: What is our JV’s situation in Brazil?
James: We enjoy a large market share between our three brands, Midea, Carrier and Springer, and we are seeing growth in this market share. We have six brands here, and we focus on Carrier, Midea and Springer. Springer is a very traditional brand in Brazil. It has been here for almost 80 years. Carrier is a high-end brand. For the brand position of Midea, it is like Springer, but divided by its market channels. Compared to our competitors like Electrolux, LG, Samsung or Whirlpool, we are in a good position, but we need to work to keep this position.

ADV: What’s your expectation for this company?
James: I expect us to maintain our strong market share in air conditioners. For small appliances, we are trying to enter the market very carefully. I think we are moving in the right direction with our focus on the consumer market. But we also have a lot of difficulties, such as not having
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By Matthew Smith & Mandy Wang

experienced sales people for small appliances. This company has been very professional thus far, but I think we are a little distant from the consumer market. We are now doing some branding and product research to get closer to the consumers.

ADV: Could you come up with two key words to describe the JV over the past year?

James: From this time, I have developed a different view than I had before. For the two key words, or phrases, I would offer multi-cultural and the new ideas. I say “multi-cultural”, because Midea is a very fast-moving company, full of flexibility. The JV is quiet, stable, and careful. It has standardized procedures. It is a very professional and serious company. But there are many commonalities too: for example, they finalize everything by way of financial figures.

Secondly, I would say “new ideas”, and this comes from the integration of different cultures. What’s more important is that we have a better view than in the past, and we have new ideas. Working in the JV is different from working in the headquarters or in Singapore. In this JV, we are now exploring opportunities in other appliances besides air conditioners. Now, we have multiple categories of products. We are doing research into consumers, in terms of desired design, styling of products, etc., to come up with something which generates an impression on the consumer about our brand. That’s something I like. It reflects my way of thinking and doing things, and my way of solving problems. We really concern ourselves with the demands of the consumers. All the decisions we make are based on consumer research, and some results are very interesting. When you look at the research, you will realize the ideas of the consumer are very different from what you imagined they would be. Sometimes results can seem ridiculous, and it is hard to believe they are real, but it is right from the consumer. But I don’t mean the demand from the consumer is 100% correct. When you change your perspective about the products, advertising, and promoting, to that of the consumers, you will discover a lot of things.

It is a big challenge, but we are very excited. Besides, we are the market leader here in Brazil. We are launching Midea brand in Chile and Argentina, and new products for the brand in Brazil.

ADV: How do you think your marketing department is different from others in Midea headquarters or its other subsidiaries?

James: We maintain our leading position in the three ABC JV markets: Brazil, Argentina and Chile. But innovation of products and the way of doing business here is totally different. For example, we have a product section in our marketing department, which does research on product design and functions, according to consumer preferences. This is a function that other subsidiaries and JVs don’t have. This is about product innovation, designing and producing our products based on our consumers’ needs. We have been used to just picking some products from the OEM platform in Midea headquarters and then bring those products to their markets and simply selling them with the Midea Brand, but this has to change. We should be willing to try new things. We need to be closer to consumers and to dig deeper to discover their demands for product design, functions, promotions, etc. We need to know more about the consumers, and this is the biggest challenge for us. We need to think about how to transition from being good in the professional channel to focusing on both professionals and knowing more about the consumer market, too.
ABC JV PEOPLE

A Long Way From China (cont.)

By Matthew Smith & Mandy Wang

Ranieri Calza
Plant Manager

Introduction
Ranieri has a background in Quality and Process Engineering and experience with two other companies before joining ABC JV by way of Carrier. His experience brought him to this company, and after five and a half years here, Ranieri is most likely to continue serving the ABC JV very well with his rich experience and expertise.

ADVANCES: It is nice to meet you Ranieri, now that we finally have a chance to sit down and talk. How long have you been working in this company? Could you tell me something about yourself?
Ranieri: Hello, it’s nice to meet you too. I have been working here for almost five and a half years. Before that I worked for two other companies in Quality and Process Engineering. In this company, I work for the Quality Department, Production/Factory, being in charge of maintenance in process engineering. Right now, I am the plant manager on the Canoas side, in charge of the factory and all the production. We produce commercial and light commercial products (chiller, air handling and rooftops) here.

ADV: During your daily work in this company, have you encountered any difficulties? What challenges do you have?
Ranieri: The challenge here is that we manage people in order to get the best result regarding delivery time, quality and the challenge of having a low volume with high mix, considering it’s a big factory. I have a team here called EH&S, which is a team that is responsible for environmental and safety standards, according to Brazilian regulations. We need to keep these processes updated. I am in charge of process engineering which consists of the machine developing process, assembly line improvement, lean projects, and cost production projects. We implemented a project, a new concept, to introduce sheet metal bars. Until this moment, it was still a manual process, and we had a project to improve this process. We are talking about $2 million dollars of investment for this new concept. By implementing this project, we reduced the time and people required, while improving the quality of our products. This is not only to change the machines, but to change the very concepts in production. All of the investment in these new concepts that we are implementing is one of the biggest challenges for the team.

ADV: So this is the challenge for you personally inside the factory. What about for the JV as a whole?
Ranieri: The challenge for the JV is that at the end of last year, we were facing a bad market situation. We have this new company, and people asked me, how will the company be, what will be the changes? For me, to have a partner like Xu Xin is nice. We share information. He provides me information from China, and I provide him with local information, and we discuss these. The beginning was a challenge, as the way we work is different. The team is working under a big umbrella, the Midea umbrella. It’s very nice, because we have more power to achieve our target. Another challenge is cost reduction. We always work on cost
reduction projects. In this first year, this was a huge driver. We must reduce cost. Every opportunity that can help us reduce cost must be looked at and discussed, and we did this. For example, in Canoas, we achieved our cost reduction target. We improved products on some product lines, and we had very good operation results. We have a budget in which we must produce the number of products according the market, and we have a plan for how much we will spend month by month to produce these products. The operation performance showed that we closed the month at $700,000 dollars better than the plan.

Additionally, language was a challenge. Why? Here we talk in Portuguese and some people talk in English, but not everyone. Then we started the integration with Midea, with the new additions here, like Edson, Xu Xin, and Regis, etc. At some meetings, we would start in Portuguese, but sometimes we must switch to English. We have some Chinese people here starting to learn Portuguese, and some Brazilians starting to learn Mandarin. It’s a very interesting process.

ADV: Are there any lessons for employees to learn Portuguese or Mandarin? Or training to get to know each culture?

Ranieri: I have had the opportunity to learn about China; the culture of China, not only just the business aspects, but also the personal side of Chinese culture. We have some training here in Canoas, too. I bought a book to get to know more about China, like the geography of China, the food there and everything else that I am curious about. I went to China before, and one thing that is so different, is the food in China. They add a lot of pepper spice in the food. It is so hot. The typical Brazilian food is not that hot.

ADV: Actually, it depends on which part of China you go to. We have eight cuisines in China, and the cuisine in the area where Midea headquarters is located is called ‘Yue’ cuisine. It’s not spicy, so you might like this.

Ranieri: I would like to approve this trip in March [laughing]. My plan is to go with Xu Xin, so that he can help me. My plan is to visit some factories, to see with my eyes the Midea way of doing some things, and to do some benchmarking to improve my knowledge related to the factory, to the process, and to the production. When I went to China in 2007, the purpose was to start some projects for the Manaus factory, like the agreement. I know many things have changed between that time and now. I would like to visit the headquarters and the factories again to learn more.

ADV: Is the factory in Manaus operating the same way as here in Canoas?

Ranieri: It is different. Of course, they are both factories that produce air conditioning. Manaus produces hi-wall and
window units for Springer and Midea. The main volume is Springer and Midea brand and window rack. That factory produces a high volume, in which each would produce a million for one product on the line. Here in Canoas, it is a commercial factory. Because people who work here use large machines, they must be experts. They must have extensive training to be prepared in areas of quality, product and safety. In Manaus, it is a little bit easier, not in all ways, but because most people just do normal part assembly.

ADV: I heard that in Manaus, they are going to merge the old factory to the new one. In the future, is the factory going to produce the same products as right now?

Ranieri: Yes. The product will be the same. The volume is increasing because of the JV. We are implementing new lines, and the new factory to produce Midea and Springer brand.

ADV: You talked about the challenge of the JV for the past year. How will you evaluate the development of the JV in the coming years?

Ranieri: At this moment for this company I would say a word, “happy”. Of course it is very hard. I have many responsibilities here. I have a big team. For example, I have around 600 people working on my team in Canoas, where the factory keeps running for 24 hours. There are people here working for the first and second shift. For some lines and products, we never stop. We are always working. This is a huge responsibility - managing a plant that works 24 hours a day.

I can see that the company is now stronger. The company has more opportunities. It is a company that has an open window to improve itself. My team and I have the opportunity to improve. To look into the future, our feeling is that this JV has been very nice because it is a company that comes here and joins us to grow. It is a company has a target to grow, and the people in this company are part of that growth. We are busy with work, but happy.

We have the opportunity to do better, and to be different. We have a very good benchmark; we have Midea in China. If there is a new supply of cookers or a new machine there, we can share information. Xu Xin helps us to share that information, and this is good. Of course, sometimes the speed and the time to communicate are not efficient as we would like, but it works. This is one feeling, which is good.

The other feeling is the future of Canoas. The Manaus factory is growing, and the market is there is also growing. People are considering government incentives in Manaus, but not in Canoas. Canoas must be different in the future. Sometime people ask me how it will be for Canoas in the future. Are we going to produce washing machines here? Can we produce refrigerators? I tell them that it could be, but we must be the best with what we have in our hands. We are going to show the company that we can go there because we have a big factory and a strong team to do the best.

ADV: If you have to come up with key words to describe the JV for the first year or the future? What will be the key words?

Ranieri: For me, the first year of the JV is “transformation” and “win”. The company is changing. There are a lot of transformations during this year, with new people, new processes, new products and a new factory, all focusing on improvement. The feeling is we will win this game.

For the future, this company is still a market leader and the reference for products and quality, not only in air conditioning, but also other home appliances. For the future, it is “power” and “opportunity”. Power, in the sense that we are a strong company. In addition, we have opportunities for the company and its people. This company is growing with new products and new markets. There are good opportunities for this company to grow, and good people in this company, too.
A Long Way From China (cont.)

By Matthew Smith & Mandy Wang

Xu Xin
Plant Manager

Introduction:
Xin joined the Midea family right after his graduation from university. Before he joined the Midea Carrier ABC joint venture, he worked as an engineer, eventually becoming Quality Control Manager, and then Plant Manager for VRF, and Quality Control Manager for the Hefei factory in Midea Commercial Air Conditioning Division. He has three years of experience in engineering, two years of experience in quality control and six years in plant management.

ADVANCES: Thanks for meeting with me, Xu Xin! Could you tell us about your work in the factory? What challenges do you face while working here?
Xin: OK, well, in the factory, we need to deal with different tasks on different levels. We have the strategic level, in which we need to follow the direction of company; the execution level, in which we pay attention to the quality of the products and need to have detailed work plans; and the grass-roots level, in which if there is an emergency, such as a batch of products that need to be shipped urgently, we need to handle immediate command and resource allocation. The benefit of our work is that we face challenges and grow each time. I feel like we gain experience from each of the company's executive, middle, and lower levels, which makes for a good opportunity to learn.

We face challenges such as a complex factory personnel structure and the management of such a large workshop space. We also have several different kinds of assembly steps and procedures in the factory, main ones such as manufacturing, financial cost and quality, and some smaller ones like production planning, material organization, and transport distribution. Working in a factory, we have to manage a lot of different things.

ADV: What are the strengths of the company regarding the factory? What aspects that you think this company still need improvement?
Xu: This company is doing great. It has good management procedures and a very strong team. Company procedures are very important. Their strength is that they have very strong execution ability. Once the company creates the rules and regulations, we will abide by them. As long as you tell the employees what should be done, they will complete the task following the rules. The employment turnover rate is low in this company, which means that they are loyal to the company.

ADV: What do you think is the biggest difference between
Midea and the JV?

Xu: Last year, we completed a project on cost reduction. We saved about $1.6 million dollars thanks to this project. In the JV, the plant manager applies for an annual budget for the factory according to our situation. For example, if we have a budget of $1 million and we spend $0.9 million early on, the finance department will give you a notice. By the end of the year, if you have actually spent $1.2 million, the finance department will just tell you that your budget is $1 million, and you actually spent $1.2 million. That’s all. In Midea, with a budget of $1 million, when you have spent $0.8 million in August, the Finance department will give you a warning saying that you only have $0.2 million left. So for the rest of the year, you have to control your expenses. This is one difference between the two companies.

There is another difference: the JV has very strong execution procedures. They spend more time preparing, but they achieve greater efficiency. In Midea, we save time, but sacrifice efficiency. When I was in China, I sometimes had a little argument with my manager on some subtle policies, but I usually don’t insist. I had to do my work according to his way of thinking. Even though he might be wrong according to my own experience, I still need to follow his direction. There might about 1 or 2 million RMB lost because of this kind of issue. It does not affect our overall performance, but this is money that could be saved. But you are afraid to argue with your boss. That is the situation for most Chinese companies. But it is different here. If a similar situation happens here, I will spend a long time arguing with my manager to demonstrate that I am right. Of course, you need good reasons to persuade your manager. If he is correct, we will follow his way. If I am correct, then I will probably get my way. After the argument, we will be clear of what we are doing and where we are going. It enhances the overall efficiency. We sacrifice the time for discussion but gain efficiency at the end. In the JV, you can show different points of view at any time. This is quite open. But sometimes, it has drawbacks, too. We have to respect different cultures and especially local culture. One of the main tasks for this year is to bring the Midea culture here, but also to understand local culture, and to have our own JV culture.

ADV: What are the biggest challenges for this year? What opportunities can you see in the future?

Xu: Of those here, I might have the longest history at Midea.
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By Matthew Smith & Mandy Wang

I came here in April 2011, and have been through the big changes at the company. One big challenge for the company is the management of the company in the future. At the beginning of the JV, we had an agreement saying that the current structure of the JV will remain unchanged for some time. Right now we have good operating results and there shouldn’t be any big problems in the near future. How about in the long term? Changes might be needed. Some people in the JV are quite open-minded and are willing to accept and try the Midea way of management. They are willing to try and share the results with us. Regarding management, I personally think that we need to be localized. I think we, most Chinese employees in the JV, are here for the purpose of introducing the Midea and Chinese culture and its management, for which I think 3 to 5 years is sufficient.

I’m bullish on the company for the future because of the strengths of this JV and the good market environment that we are in. We are in South America, which is a very good market with good potential. South America is rich in resources, and developments are inevitable in the future. In addition, Brazilians are like Chinese in a lot of ways, such as being good at saving money and planning their life. It is a country with hardworking people who care for their future. Additionally, our air conditioners are high end products, which enjoy considerable market share. What’s more, we have good brands. Springer, with 90 years of history in Brazil, has built a very good reputation in Brazil. Carrier is also a very reputable company throughout the world. Midea has vast manufacturing capability in China and is building greater influence in the world. The cooperation of each party’s strengths can help us grow faster in South America.
Fred Xia
Associate Commercial & Marketing Manager, Midea Carrier Argentina

Introduction:
Fred is quickly becoming a man of the world. Just a few short years after joining the company, he was assigned to represent the company far off in the rapidly-developing market of Brazil. Most recently, the company decided it required his expertise in Argentina. He often comes back to China with his colleagues from the Argentina and Chile offices to help inspect Midea production facilities so that decisions can be made about which products to bring to those local markets.

ADVANCES: How long have you been with the company, and have you always been in Argentina?
Fred Xia: I have been with the company for 8 years. Back in 2004, I joined “Big Midea” (HQ), and I worked there in China for 3 years. Afterwards, I was offered the opportunity to move to the JV in Brazil, until the end of 2011, after which I became a part of the new JV, Midea Carrier in Brazil, and then last June, I was asked to come to Argentina… so in this country, 6 months so far.

ADV: So first you were in China, then Brazil, and now Argentina… what do you find is the biggest difference between Brazil and Argentina?
Fred: The main difference is that Brazilian guys are very hospitable, very warm. In Argentina, just in the very beginning only, they’re a bit cooler, but with some time, they’re also great. There’s also a language difference that is challenging. When I first got here, even knowing a fair amount of Portuguese, I had trouble adapting to the Spanish-speaking workplace. So I would say language and culture differences are the biggest challenges I’ve faced with the move.

ADV: I would say you’re in a unique position to talk about this - what was it like starting with Chinese as a native language, and then taking on English, and then Portuguese, and now Spanish…
Fred: This is called “growing pains!” [laughing] I think it depends on your aspirations and expectations. It’s very hard to learn other languages, but it can happen – nothing is impossible. It took me 3 years to learn Portuguese, and I guess now Spanish should be easier coming from Portuguese.

ADV: Yes, and I remember Germán said that learning Portuguese is actually very difficult for those coming from Spanish.

(From left to right) Fred Xia, Germán Damiano, and Sebastian Leibovich.
**ABC JV PEOPLE**

**A Long Way From China (cont.)**

By Matthew Smith & Mandy Wang

Fred: It seems that Portuguese and Spanish are similar at first impression, but actually, they’re really quite different.

ADV: Maybe it’s a bit like Cantonese and Mandarin? I remember my previous colleagues in Hong Kong used to tell me how difficult it was for them to learn Mandarin, and from my impression as an outsider who didn’t know too much of either one, I thought they sounded very similar at times, but now I know better…

Fred: Yes, it’s very tough, but having skill in the local language is an indispensible asset for adapting to the local market and working more efficiently.

ADV: Yes, it’s a huge disadvantage to be without it, and I have to admit that I know this all too well. [laughing] So, moving onto other differences between the offices, based on your experiences between each of the offices here, Brazil, and China, what would you suggest to those in each place to better bridge the gaps in culture?

Fred: Well, before I left from Midea in China, I received training according to North American cultural standards. But some things are different in Latin America. For instance, most people here don’t take time too seriously – for meetings, for appointments, for whatever. So I suggest that Midea HQ adjust their training to a market by market basis, not too general. For general training actually, it doesn’t make sense, so much. Sometimes we overestimate the influence of the training. When we leave China, we feel confident that we know the standards and that we’re ready to go out. But when we arrive, it’s still very different. So firstly, Midea and our Chinese colleagues should adjust more to adapt to their local markets.

ADV: To be more flexible, and try to imagine yourself as one of those around you.

Fred: Exactly, exactly. The training is just a reference, but you cannot just follow it blindly; you must stay curious and keep learning about new cultures. And the second point is, for Midea people in China, when we come to Latin America or other markets, we should learn the market more broadly, not only the one segment that concerns us. Those who relocate outside of China, especially the younger guys, are often not General Managers or anything; their role is usually more specific, and they might restrict their learning to their own area. When they work abroad, have to get to know different areas. Not only sales - maybe marketing, maybe logistics, maybe finance. You should keep learning different areas.

ADV: The importance of taking initiative to grow.

Fred: Yes, that’s very important. Once we work in local markets, usually the role is updated, and should focus on things more strategic and integral. Midea HQ will need us to fully understand the local operations. They will need us to propose how to develop the business unit. So based on this, we should learn as much as possible. The third point, for Chinese guys coming to Latin America - we should keep a low profile. Try your best to learn and to understand. Because the local regulations change frequently, we can’t expect the same timetable to complete projects as in China. Moreover, the local mindset for working and lifestyle is quite different from Chinese, and we must respect it.

ADV: To relax things a little bit, to meet them halfway.

Fred: Yes, this is very important, I think.

ADV: Just now after the first anniversary of the ABC JV, what would you say has been the greatest accomplishment across the entire JV?

Fred: We have launched more products and strengthened the leading position in Brazil, and launched the Midea brand in the Argentina and Chile markets. Furthermore, we have enhanced ABC JV operations through comprehensive communication with Midea China, regarding products, marketing, supply chain, among others. We also are developing synergies through cooperation and communication of experience between our people in each location. For instance, between Brazil, and Argentina and...
A Long Way From China (cont.)

By Matthew Smith & Mandy Wang

Chile — we have a good design office in Brazil which Argentina and Chile both take advantage of, with only minor adjustments. With the same designs, there are some economies of scale benefits and an experience effect, too.

ADV: Yes, and as another example of synergy, there’s a nice two-way action developing between Chile and Argentina, with Chile shaping up as a great test market on which Argentina and Brazil can develop future product strategy, and Argentina having a healthy relationship with retailers here that also exist in Chile, which can be used to help MC Chile to develop their own retail channel relationships back there.
Fred: Yes, exactly.

ADV: So, the Midea brand product launch in Argentina is the other big news that came alongside the first anniversary of the JV, and this must have required a lot of careful preparation especially when considering the company’s other brands, as well as local and Chinese competitors in the market.
Fred: The first challenge was to decide if we should launch Midea brand now, in this market, because so far we have only prepared an air conditioner for the Argentina market. The second challenge is to decide which segment to aim towards; how to harmonize the brand relationships, and balance the positions of the three brands we have, to avoid conflict between them.

ADV: Right, it would be pretty critical to keep your brands from overlapping much and creating cannibalism.
Fred: Yes, and the third challenge is how to position Midea brand in the media, how to communicate the Midea brand. Do we just say, ‘OK, we are the biggest air conditioner company’, or do we label ourselves as a worldwide leading home appliances company? Looking forward to future and the market potential, we chose the latter.

ADV: Yes, that’s a good point, and it does make sense to give the brand an identity of a broader household goods company if that’s where you see the majority of your business in the future. And how did MC Argentina finally position Midea?
Fred: When positioning Midea relative to our other brands and those of our competitors, we went to different segments and channels for each of our different brands. The Argentina residential air conditioner market is very particular, divided by 3 levels, and the price gap extends up to 30% in difference between the first and third tiers. MC Argentina has its two leading brands, Carrier and Surrey, occupying around 30% market share in the first tier, the total volume of which is stable, and the share of each player is steady. So we positioned Midea brand in the middle tier to get more share and promote brand penetration.

As a new foreign brand, the price position is challenging. If it’s too close to the benchmark, Surrey, it would likely create cannibalization, being hard to sell. Conversely, a price that’s too low would result in poor margins. Through hard research and analysis on competitors’ sales and price positions, I proposed to use a long-present Chinese competitor brand as a reference, which had been in Argentina for 9 years. Ultimately, we chose a price gap of 17% lower than Surrey, the same price level as the other Chinese brand.

This strategy evidently worked, with Midea’s launch of the Lumina and Muv products landing in the top 9 at retailers since last December, and selling out in 2 months. Interestingly, another Chinese brand coming into this market positioned itself in the middle-high tier but with a gap of only 11% lower than Surrey. Finally, however, they had to decrease their pricing at the eve of the hot season. It worsened the confidence of their sales channel and they really missed out during a prime sales period.
A Long Way From China (cont.)

By Matthew Smith & Mandy Wang

Simone Lisboa
HR Development Manager

Introduction:
She has always worked in companies with different cultures: American, Canadian, British, Mexican, Dutch and today, Chinese. This makes Simone one of the best people to help guide human resources efforts in a growing multi-national and multi-cultural company like Midea.

ADVANCES: It is a great pleasure to meet you, Simone! Thank you for taking the time to sit down and talk with me. You’re currently the HR Development Manager for the Midea Carrier ABC Joint Venture, but when did you join this company and what did you do before that?
Simone: I have been working for this company for four years and five months. Before joining this company, I had good HR experiences in other companies. I started my career in the U.S. consulate in Porto Alegre; this was my first job. Later on, I worked for a telecommunications company, and then a cellphone company for seven years, also in HR. I also worked for an automobile company and a bank, all in the HR department. I like HR a lot!

ADV: It seems you’ve had rich experiences in Human Resource across different industries. Did these periods of change and diversity give you anything besides career experience?
Simone: Yes. Working for those companies provided me with opportunities to experience different cultures. As I told you, I started working with the U.S. consulate, and then a cellphone company, which was implemented in Brazil by Canadians. Many people from Romania helped to build the company and its system. There were so many different nationalities in that company. Later on that company was bought by a Mexican corporation. It was another culture entirely. I was there for seven years. I went through that time transitioning from Canadian to Mexican culture. Then I went to the automotive company, which was half American and half British. Then I went to the bank, which was Dutch. And now I am here!

ADV: So what do you think of those cultures you encountered in the previous companies? How about for this JV?
Simone: Going through different cultures, I learned a lot from all of them. They influenced my tastes, my vision of the world and the way I accept and treat people. For the JV, so far it is not an easy time for both sides, but everyone is willing to make it work, everyone is making positive efforts, and I can see many movements forward. But we are very
A Long Way From China (cont.)

By Matthew Smith & Mandy Wang

different in many ways, and we don’t have a lot of things from China in Brazil, such as authentic Chinese food and Chinese tea. We really want to treat you, our colleagues from China, well. But on the other hand, everyone adapts, too. For example, we have had Alexandre Lengler on assignment at the headquarters in China for the past half year, and now he is back for vacation with his family. He is very happy with the work in China, and I think this is a good example that we are progressing well. We want to make things work, and they are working - maybe not as fast as we would like, but we know our goal. We are from different countries and different corners of the world, and everything is new for both sides. I think we have been doing great so far.

ADV: Yes, we have come to know Alexandre quite well since his arrival in China, and I also know that we have a few Chinese employees here, too.

Simone: Yes, and they seem to already feel at home, like Xu Xin and Edson Li. They are willing to talk to people, and I think they are feeling comfortable and happy. Besides, I think the local people here are already feeling more comfortable about talking to Chinese people.

ADV: That’s really great to hear. Breaking though the language barrier is the first step to working with each other and exchanging ideas.

Simone: Yes. We have had some meetings on the exchange of ideas, such as the meeting I had this week with Grace Zhang, and it went really well. In the monthly telephone conference call, I got chances to talk to Grace and also others from Egypt and India.

ADV: Could you come up with two key words to describe the development of the JV, so far?

Simone: I would say Strength and Effort. Firstly, I say “strength” because people here see Midea as strong. It is a very powerful company and brand. So this is our new strength, although this is also true for Carrier. Secondly, I think of “effort” because it has taken great effort for everyone here to make these two large and distinct companies into one.

ADV: So for near future, everyone expects the JV to become more unified, such as having a new logo which can represent the JV as a whole. Do you have other expectations for the JV in 2013 and the coming years?

Simone: Definitely. I want Midea to be more known in Brazil. Midea is still a new brand for many Brazilian people. Many times when I call for interviews, some people still have no idea what Midea is. I want this company to become well-known and the Midea brand to become strong - everybody wants to be proud of it. I think everybody is proud of working here, but we need people outside the company to feel the same about our brand. I want this to be huge, where everybody buys our products. I want everybody to dream about working with us. I want students in university to say they dream of working for this company.

ADV: When you recruit people for the company, what characteristic do you value the most?

Simone: I think the two most valuable traits I look for are resilience and flexibility. They are really close to each other in some situations. We would like our people to be flexible and be able to deal with different cultures. We are facing a transition period in which we still have to build new processes. We’re already different from what were in the past, and we’re still in the process of changing, even now. If people we hire are unaware of this and unable to make this transitional journey with us, they will be really unhappy. Resilience is the ability to deal with all the situations we are facing today and those we will encounter tomorrow, without losing sight of who we are. Thus, we are looking for resilience and flexibility.
Midea SNAPSHOT

Brazilian Cousin of ADVANCES

Photo by Mandy Wang