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QUALIFICATION WORK

Education Degree - Master

on: **Channel Differentiation Strategy as a Managerial Tool
for Enhancing Operational Efficiency**

Completed: student of
073 «Management» (EP «Administrative Management»)

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SUMY NATIONAL AGRARIAN UNIVERSITY

Faculty Economics and Management
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TASK

on qualification work for student

Zhou Tingting

1. Theme of Channel Differentiation Strategy as a Managerial Tool for Enhancing Qualification Operational Efficiency work:

Supervisor Alina Mykhaylivna Brychko, PhD., Associate Professor

approved by the university from

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2. Deadline for student completed project (work)

October, 24 2025

3. Background to the project (work):

educational methodical manuals, monographs, textbooks on the subject of research, scientific publications, economic and financial statements for the period of 2020-2024

4. Contents of settlement and explanatory notes (the list of issues to develop):

Learn the concepts of "channel differentiation strategy", "channel strategy", and "differentiation competition", consider the common channel types classification in the home appliance industry, analyze and evaluate the implementation effect of channel differentiation, investigate the existing channel layout and operational activities of Midea Group, analyze the external and internal environment of Midea Group, analyze the marketing environment related to Midea Group's channels, identify the problems existing in Midea Group's channel differentiation strategy, formulate optimization methods for Midea Group's channel differentiation strategy, and predict the implementation effect of the proposed channel optimization measures.

5. Date of assignment:

December, 15 2024

CALENDAR PLAN

№	Title the stages of the degree project (work)	Date of performance project stages	Note
1	Definition and approval of the thesis, preparation of the plan - schedule of work	<i>September, 2024</i>	done
2	Selection and analysis of literary sources, the preparation of the first theoretical chapter	<i>December, 2024</i>	done
3	Preparation and presentation of draft of the first chapter of the thesis	<i>February 2025</i>	done
4	Collection and processing of factual material, synthesis analysis of application issues in the enterprise	<i>March 2025</i>	done
5	Making the theoretical part of the thesis, summarizing the analytical part	<i>May 2025</i>	done
6	Design options improve the research problem	<i>August 2025</i>	done
7	Completion of the project part of the thesis, design chapters	<i>September 2025</i>	done
8	Previous work and its defense review	<i>October, 01-02 2025</i>	done
9	Checking the authenticity of the thesis	<i>October, 15 2025</i>	done
10	Deadline for student completed the thesis	<i>October, 20 2025</i>	done
11	Defense of the thesis	<i>October, 30 2025</i>	done

Student



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Authentication performed

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Checking the authenticity conducted.
Thesis allowed to defense

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SUMMARY

Zhou Tingting. Channel Differentiation Strategy as a Managerial Tool for Enhancing Operational Efficiency.

Master's thesis in the specialty 073 «Management», EP «Administrative Management» SNAU, Sumy-2025 - Manuscript.

In the increasingly competitive market environment of the home appliance industry, channel differentiation strategy has become the core path for enterprises to break through development bottlenecks. This study focuses on Midea Group's channel differentiation strategy and systematically outlines its channel innovation path in the context of digital transformation. Faced with challenges such as the shrinking of the offline home appliance market and homogenization of online competition, Midea has been promoting channel transformation since 2013. By launching the online sales brand "Yikuke" and building a "one inventory" model for online and offline inventory sharing, Midea has achieved channel differentiation and resource collaboration, improving online turnover efficiency by more than 40%. By combining PESTEL, SWOT, Porter's Five Forces and other models, this study analyzes the political, economic, technological, and social adaptability of its channel layout, and points out its strengths and weaknesses in channel sinking, terminal experience, and data-driven aspects. Through a questionnaire survey, it was found that consumers have higher requirements for channel response speed, service professionalism, and after-sales support, which promotes enterprises to accelerate the construction of an omnichannel, intelligent, and scenario based service system. Research suggests that Midea should continue to optimize its channel value evaluation mechanism, strengthen AI prediction and data platform construction, improve dealer incentive mechanisms, and promote channel ecosystem collaboration and digital upgrading. Midea's channel strategy practice provides a replicable transformation paradigm for the home appliance industry. In the future, attention should be paid to the dynamic evolution of channels and the trend of technological integration to further consolidate its market competitive advantage.

Keywords: Channel differentiation strategy , Midea Group , Channel theory , Digital transformation , Omnichannel collaboration.

АНОТАЦІЯ

Чжоу Тінгтін. Стратегія диференціації каналів як управлінський інструмент для підвищення операційної ефективності.

Магістерська робота зі спеціальності 073 «Менеджмент», ОП «Адміністративний менеджмент» СНАУ, Суми-2025 р. – Рукопис.

У конкурентнішому ринковому середовищі індустрії побутової техніки стратегія диференціації каналів стала основним шляхом для підприємств, що допомагають подолати вузькі місця в розвитку. Це дослідження зосереджено на стратегії диференціації каналів Midea Group та систематично окреслює шлях її інновацій у контексті цифрової трансформації. Зіткнувшись із такими викликами, як скорочення ринку офлайн-побутової техніки та гомогенізація онлайн-конкуренції, Midea просуває трансформацію каналів з 2013 року. Запустивши бренд онлайн-продажів "Yikuke" та створивши модель "єдиного інвентарю" для спільного використання онлайн та офлайн-інвентарю, Midea досягла диференціації каналів та співпраці ресурсів, покращивши ефективність онлайн-обороту більш ніж на 40%. Поєднуючи моделі PESTEL, SWOT, п'яти сил Портера та інші, це дослідження аналізує політичну, економічну, технологічну та соціальну адаптивність структури каналів, а також вказує на її сильні та слабкі сторони в плані занурення каналів, досвіді використання терміналів та аспектах, керованих даними. За допомогою анкетування було виявлено, що споживачі мають вищі вимоги до швидкості реагування каналів, професіоналізму обслуговування та післяпродажної підтримки, що сприяє підприємствам пришвидшенню побудови омніканальної, інтелектуальної та сценарної системи обслуговування. Дослідження показують, що Midea повинна продовжувати оптимізувати свій механізм оцінки цінності каналів, посилювати прогнозування на основі штучного інтелекту та побудову платформи даних, удосконалювати механізми стимулювання дилерів, а також сприяти співпраці екосистеми каналів та цифровій модернізації. Практика стратегії каналів Midea забезпечує відтворювану парадигму трансформації для індустрії побутової техніки. У майбутньому слід звернути увагу на динамічну еволюцію каналів та тенденцію технологічної інтеграції для подальшого зміцнення конкурентної переваги на ринку.

Ключові слова: стратегія диференціації каналів, Midea Group, теорія каналів, цифрова трансформація, співпраця.

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INTRODUCTION

Relevance of the topic. Driven by digital transformation and consumer demand stratification, the channel system of the home appliance industry is undergoing profound changes, which puts higher demands on the differentiation and adaptability of channel strategies. The data shows that since 2020, the number of home appliance markets with a value of over 100 million yuan in China has continued to decrease, while the sales of goods and online retail have steadily increased, reflecting a trend of decreasing efficiency of physical channels and increasing penetration rate of online channels. To cope with this change, home appliance companies need to build competitive barriers through channel innovation.

Midea Group has taken the lead in implementing channel differentiation strategy, launching the online sales brand "Yikuke", restructuring the channel structure of household appliances, targeting young consumer groups, and shaping differentiated images through comprehensive strategies^[1]. The channel transformation is not limited to online expansion, but also involves production and supply chain optimization, achieving multi-channel collaborative management^[2], effectively solving the problems of inventory backlog and price chaos^[3]. Currently, the home appliance market is deeply integrated with online and offline channels, and enterprises need to build differentiated advantages in channel layout, consumer reach, supply chain response, and other aspects.

The core of channel differentiation competitiveness lies in building a channel system that highly matches market demand and product characteristics, achieving efficient product reach and deep connection with consumers. This requires enterprises to effectively integrate, manage, and innovatively allocate channel resources. The national policy also encourages the upgrading of household appliance consumption, creating a favorable environment for the improvement of channel differentiation competitiveness.

Domestic and foreign scholars have pointed out that channel differentiation strategy can effectively enhance the market competitiveness of enterprises by

building unique channel networks, service models, and value propositions^{[4] [5]}. On the implementation path, it is necessary to dynamically adjust strategies based on enterprise resources and market environment, such as reconstructing channel processes through digital technology and establishing O2O systems ^{[6] [7]}. The practice of Midea Group shows that channel differentiation needs to be deeply integrated with technological innovation to form competitive barriers. Meanwhile, institutional designs such as equity incentives can enhance the efficiency of strategic execution and ensure the sustainability of strategic implementation^[9].

The practice of Midea Group provides an innovative path for the home appliance industry, verifies the effectiveness of existing theories, and lays the foundation for future research.

Relationship with academic programs, plans, themes. Master's thesis is done according to the plan of research at Sumy National Agrarian University.

The aim of the thesis is: a scientific theoretical, methodological, and application principle demonstration is conducted on the construction and optimization methods of Midea Group's channel differentiation strategy, clarifying the core path of implementing channel differentiation strategy for home appliance enterprises under the dual drive of policy and demand, and providing systematic guidance for enterprises to enhance channel competitiveness.

The main objectives of the research are:

As a leading enterprise in China's home appliance industry, Midea Group's channel strategy evolution has always resonated with industry changes. In recent years, with the penetration rate of e-commerce exceeding 30% and the trend of online and offline integration in retail channels, the channel system of traditional home appliance enterprises is facing pressure to reconstruct. This article focuses on the practical path of Midea Group's channel differentiation strategy, aiming to systematically deconstruct the logical framework of its channel network optimization and reveal the empowering mechanism of channel resource integration on market competitiveness. The core research tasks include deconstructing the hierarchical structure and operational characteristics of Midea Group's current

channel network, identifying structural contradictions in channel control during the digital transformation process, and constructing a channel optimization model that is suitable for the "new retail" format. The choice of Midea Group as the research object is not only due to its consecutive top position in the household appliance industry for five years in the "China's Most Valuable Brand Ranking", but also because of its exemplary methodological value in implementing the "division based channel" integration strategy in channel transformation^[10].

According to the purpose, **the main objectives of the study** were identified:

- to conduct theoretical analysis, study and conceptualize the essential connotations and characteristics of "channel differentiation" and "channel differentiation strategy" for household appliance enterprises;
- to systematically sort out and summarize the key factors and core methods that affect the implementation effect of channel differentiation strategy for home appliance enterprises;
- to analyze the current status of channel development in the home appliance industry, clarify the main directions and trends of industry channel transformation;
- to taking Midea Group as a case study, conduct an overall evaluation of its existing channel layout and implementation status of channel differentiation strategy;
- to analyze the effectiveness of Midea Group's management mechanism in the implementation of channel differentiation strategy;
- to identify and improve the organizational, operational, and technical measures for Midea Group's channel differentiation strategy;
- to evaluate the impact weight of channel differentiation on Midea Group's market share, customer satisfaction, and operational efficiency under market competition conditions;
- to develop promotion recommendations for Midea Group and similar home appliance enterprises to implement digital tools to empower channel differentiation strategies;

- to propose channel differentiation strategy optimization methods and measures applicable to the home appliance industry, and clarify their implementation characteristics.

Object is the organizational, operational, and collaborative relationships aimed at enhancing Midea Group's channel differentiation competitiveness, as well as the implementation rules of channel differentiation strategies in the home appliance industry.

The subject is a set of theoretical, methodological, and practical processes for identifying the construction and optimization methods of channel differentiation strategies for home appliance enterprises (with Midea Group as a typical case).

Research methods: Factor comprehensive analysis method: used to develop a systematic approach for optimizing Midea Group's channel differentiation strategy by examining internal and external factors influencing its implementation. Case study method: Using Midea Group as a typical example, thoroughly analyze the implementation process, effectiveness, and existing issues of its channel differentiation strategy. Model analysis method: Employing PESTEL model, SWOT analysis, Porter's Five Forces, and others to systematically assess the macro environment, strengths and weaknesses, and industry competition landscape of Midea Group's channels, supporting strategic improvements.

Information base Includes scientific works by domestic and foreign scholars in the fields of channel theory, differentiation strategy, and the development of the home appliance industry; Macro statistical report data released by the National Bureau of Statistics and the Ministry of Commerce (such as the number of household appliance trading markets, retail sales of household appliances, etc.); Special research report on the home appliance industry (such as the "2024 Consumer Insights Report on the Chinese Home Furnishing Market"); Academic papers published in official and scientific journals; The annual report, channel strategy related announcements, and operational information released by Midea Group; Materials for international and domestic academic conferences in the home

appliance industry; Questionnaire survey data and in-depth interview records targeting consumer channel preferences.

Scientific novelty of the results. The provisions of that determine its scientific novelty and submitted for protection, are as follows:

were further developed: The deep impact of dynamic external environment and technological iteration on channel differentiation strategy has not been fully explored, such as the specific path of green channel construction in the process of deepening the "dual carbon" policy, the mechanism of AIoT technology scale application on channel touchpoint reconstruction, and the special requirements of policy differences and consumption characteristics in emerging markets such as Southeast Asia and the Middle East for channel layout. In the future, it is necessary to construct a flexible adaptation model for channel strategy under the background of globalization in these directions; At the same time, the existing research on the analysis of consumer behavior lacks micro quantitative data support for the sinking market, generation Z and other groups. To be studied, we can analyze the perception logic of different groups on the scenario based channel experience through neurophysiological data collection, user behavior tracking and other means, to fill the research gap in the matching between consumer micro behavior and channel strategy. In addition, the ecological coordination mechanism between household appliance enterprises and Internet platforms, home decoration industry and other cross disciplinary subjects, such as the impact of data sharing rules, benefit distribution models on channel differentiation, also needs to further study to expand the value dimension of channel strategy.

improved: There is room for optimization in terms of data and research methods. The existing data mostly relies on internal operational data and industry public reports of Midea Group, lacking horizontal comparison data with competitors such as Haier and Gree in terms of channel efficiency, customer satisfaction, and other dimensions. In addition, the coverage of consumer research samples is narrow, and the quantitative evaluation of non-financial indicators is insufficient. This can be achieved by introducing third-party authoritative monitoring data such as Aowei

Cloud, expanding the research sample to lower tier markets and cross-border user groups, and combining structural equation modeling, panel data regression and other methods to enhance the objectivity and universality of research conclusions; In terms of technical application analysis, although research has proposed technical solutions such as blockchain inventory visualization and AI decision support, it has not elaborated on the implementation path and cost-benefit calculation of the technology implementation. Specific parameters, pilot case data, and input-output ratio analysis of the technical solution can be supplemented to enhance the operability of the optimization plan. In addition, the long-term evaluation mechanism design for the implementation effect of channel differentiation strategy is insufficient. Tracking research on indicators such as market share and customer retention rate 1-3 years after the implementation of the strategy can be increased to improve the strategic effect evaluation system.

The practical significance of the results is: It can be used as providing a path for Midea to optimize its channel differentiation strategy, and also provide reference for the digital channel transformation of home appliance enterprises, enriching the industry research system. Assist Midea in enhancing its channel competitiveness, responding to market challenges, and providing practical and theoretical references for channel strategy innovation in the home appliance industry.

Personal Achievements master's degree. Results of the study contained in the Master's diploma are independent developments and suggestions of the author. Research problems to increase the competitiveness of the enterprise displayed in two scientific papers relevant to the study.

1. Zhou Tingting Optimization of equity in the corporate governance system to increase company efficiency *IV Міжнародна науково-практична інтернет-конференція студентів, аспірантів та молодих вчених пам'яті видатного українського вченого-економіста Сергія Ілліча Юрія «Розвиток фінансів, аудиту, бухгалтерського обліку та оподаткування: реалії часу»* 11 лютого 2025 року м. Кам'янець-Подільський 2025 С. 502-503.

2. Zhou Tingting Research on channel differentiation strategy of MIDEA GROUP *Матеріали VII Міжнародної науково-практичної конференції "Модернізація економіки: сучасні реалії, прогностні сценарії та перспективи розвитку" 17-18 квітня 2025 року. м. Херсон – м. Хмельницький. 2025 – С.327-329*

The structure and scope of work. Master's thesis consists of an introduction, three chapters, conclusions, and proposals list of references with **40** titles. The main text posted on the **87** pages of computer text, the work contains **10** tables, **15** figures.

CHAPTER 1

FUNDAMENTALS OF CHANNEL THEORY AND SCIENTIFIC METHODS

Channel theory, as a core component of marketing, systematically studies the intermediate links and their interrelationships involved in the process of product transmission from producers to consumers. This theory focuses on core elements such as channel structure, channel behavior, and channel efficiency. By analyzing the dynamic relationships between these elements, it provides a theoretical framework for the formulation of channel strategies for enterprises. Channel innovation is regarded as a key path to building differentiated competitive advantages, and strengthening direct contact with users has become the direction of innovation. This viewpoint reveals the importance of user interface optimization in channel design ^[16]. With the continuous changes in the market environment, the research boundaries of channel theory continue to expand, gradually evolving from traditional single channel models to multi-channel, omni channel and other composite forms, forming a more adaptable theoretical system.

The development process of channel theory is closely related to the evolution of market environment. Early research mainly focused on the functional analysis of linear channel structures, emphasizing the hierarchical relationships and benefit distribution among channel members. With the development of information technology and the diversification of consumer demands, multi-channel strategy has gradually become the mainstream research direction. The academic community has found through empirical research that multi-channel retailers have higher performance potential compared to single channel enterprises, but their successful implementation requires the support of a systematic theoretical framework ^[17]. The research breakthrough in this stage is reflected in the quantitative analysis of channel synergy effects and the exploration of dynamic management mechanisms, such as integrating online and offline interaction scenarios to build a seamless customer

experience system. The differentiated value of multi-channel marketing strategy is highlighted in this process, and its core lies in achieving channel complementarity rather than repetitive competition through differentiated positioning. This viewpoint provides practical guidance for optimizing the configuration of channel networks [18].

At the theoretical level, there are three mainstream schools of thought in channel research: the transaction cost school, starting from the perspective of institutional economics, emphasizes the impact of contract costs and opportunistic behavior among channel members on efficiency; The relationship marketing school focuses on the long-term trust building and value co creation mechanism among channel partners; The resource-based school focuses on analyzing how unique resources in channel networks form competitive barriers. The transaction cost theory provides a cost-benefit analysis tool for channel structure design, while the resource-based theory explains how channel innovation achieves differentiation advantages through resource integration^[16]. In recent years, research on multi-channel strategy has integrated theoretical perspectives from multiple schools, such as achieving channel collaboration through transaction cost control and building differentiated service scenarios based on resource complementarity. This cross disciplinary integration research further promotes the development of channel theory towards systematization and dynamism, forming a complete theoretical system covering channel design, operation, and evaluation. The current research also pays special attention to the evolution laws of channel ecosystems under the background of digital transformation, such as predicting consumer behavior through big data analysis to optimize the efficiency of channel resource allocation. This marks the continuous innovation and deepening of channel theory at the methodological level.

The theory of channel management focuses on improving channel efficiency through systematic means. Its core is to use channel design, channel incentives, and channel control to mobilize the enthusiasm of all channel members, promote collaborative cooperation among members, and leverage their respective advantages. Channel design, as a fundamental step, requires conducting market

research and data analysis to complete an enterprise environment assessment, identifying its own strengths and weaknesses, and setting management goals and methods; Channel incentives are committed to stimulating member motivation through multidimensional support, providing support for distributors in product supply and service assurance, as well as promoting their cooperation with consumer oriented marketing activities through promotional incentive programs; Channel control is the guarantee of standardized operation and risk avoidance, covering optimization of order processing procedures to reduce shipping problems, conducting dealer training to strengthen ideological recognition and product awareness, coordinating market emergencies to safeguard dealer interests, and so on.

(2) Theory of Channel Differentiation Strategy

The theory of differentiation strategy, as the core framework of modern enterprise competitive strategy, provides systematic guidance for enterprises to establish unique advantages in the market. According to Michael Porter's theory of competitive strategy, companies can form core advantages that distinguish them from their competitors through differentiation paths^[13].

The theory of channel differentiation strategy is the core theory in the field of marketing that focuses on building competitive advantages in channels. Its core concept revolves around the innovation and unique design of the entire channel chain for enterprises to achieve significant differentiation from competitors and gain market competitive advantages. This strategy is centered around the concept of differentiation and runs through the entire process of channel strategy formulation, structural design, establishment and expansion, management and maintenance, and innovation and upgrading. It emphasizes the construction of channels that accurately adapt to the needs of the target market, forming a unique channel value transmission system. The key prerequisite for its implementation is to achieve precise positioning based on market analysis. It is necessary to clarify the enterprise's own market positioning, as well as to determine the appropriate channel types and combination models based on product characteristics, target consumer group behavior

characteristics, and demand differences, to ensure efficient contact between channels and target markets. In specific practice, channel differentiation can be achieved through multiple dimensions, including unique design of channel structure, innovation of channel cooperation mode, optimization of channel operation mode, etc. These differentiation measures can meet the needs of segmented markets, enhance product accessibility and consumer shopping experience.

The formation and development of channel differentiation strategy theory rely on interdisciplinary theoretical foundations, with core support systems covering marketing theory, competitive advantage theory, brand management theory, and consumer behavior theory. The market segmentation and positioning theory in marketing theory provides a logical starting point for channel differentiation, emphasizing the precise division of market groups, matching differentiated channel strategies to meet segmentation needs, and achieving deep integration between channels and markets. The theory of competitive advantage reveals the core value of channel differentiation, pointing out that in a homogeneous market environment of products or services, unique channel layout and operation mode can become a competitive barrier that is difficult for enterprises to replicate, helping them stand out in market competition. Brand management theory provides support from the perspective of channel brand shaping, emphasizing the transmission of unique brand image through differentiated channel construction, enhancing consumer awareness and loyalty to the brand, and achieving synergistic enhancement of channel value and brand value. The theory of consumer behavior provides a demand-oriented basis for channel differentiation, pointing out that channel design needs to conform to the consumption habits and preferences of different groups, and improve consumer satisfaction and stickiness by optimizing channel touchpoints and service processes. In addition, transaction cost theory also provides decision-making reference for the selection of channel differentiation strategies. Enterprises need to balance channel costs and benefits in channel differentiation design, ensuring that differentiation measures achieve efficiency improvement while reducing transaction costs. These

theories together constitute the logical framework and practical guidance basis of channel differentiation strategy theory.

(3) Fundamentals of Scientific Methods

The PESTEL analysis model, as a core macro environment analysis tool in the field of strategic management, provides a structured framework for enterprises to identify key driving factors in the external environment through systematic deconstruction of six dimensions: politics, economy, society, technology, environment, and law. This method emphasizes transforming environmental variables into actionable strategic insights, especially in channel strategic planning, which can help companies identify potential risks and opportunities such as policy and regulatory changes, technological innovation trends, and market demand changes ^[19]. The technical dimension analysis needs to focus on the application of digital tools, such as the Internet based traffic channel analysis and configuration method, which can provide accurate basis for channel optimization through real-time tracking and prediction of data ^[20]. In addition, social and cultural factors cannot be ignored. Changes in consumer values and lifestyles will directly affect channel selection preferences. Enterprises need to adjust channel positioning through social trend monitoring to match the needs of target customer groups. The legal dimension involves issues such as industry regulatory policies and intellectual property protection. For example, in the process of strategic alliances and channel integration, strict compliance with anti-monopoly regulations and data security standards is required to ensure the legality and compliance of channel networks. The environmental dimension not only covers the requirements of ecological sustainability, but also includes the impact of resource utilization efficiency on channel layout, such as green supply chain policies promoting enterprises to redesign channel nodes to reduce carbon emissions. In the political dimension, regional trade agreements and industrial support policies will significantly affect the regional coverage strategy of channel networks, such as tax incentives or logistics subsidy policies that may reshape the cost structure of channels ^[19]. Overall, PESTEL analysis, through multidimensional cross validation, can help enterprises

build a more resilient channel strategy framework. For example, the proposal of the seamless marketing channel concept is based on a systematic analysis of technology integration, legal norms, and changes in consumer behavior, which enhances overall operational efficiency through the synergistic effects between channel nodes ^[21]. It is worth noting that the application of this method requires a combination of quantitative and qualitative analysis, such as using game theory models to analyze the interest game relationship in channel conflicts, or evaluating the neural response mechanism of consumer channel experience through neurophysiological data synchronization analysis techniques, in order to achieve a deep correlation between environmental variables and corporate decision-making ^{[19] [22]}. In summary, the scientific value of PESTEL analysis lies in its ability to structure complex external environments into manageable strategic elements, providing theoretical support and methodological guidance for companies such as Midea Group to develop channel differentiation strategies.

The SWOT analysis model, as a systematic strategic analysis tool, focuses on the structural deconstruction of internal and external factors of the enterprise. This method systematically sorts out the dynamic relationship between internal strengths and weaknesses, external opportunities and threats of the enterprise, providing multidimensional decision-making basis for the formulation of enterprise strategy. In the field of channel strategy research, SWOT analysis can effectively identify the competitive elements of a company's channel network and key variables in the market environment by constructing a four-dimensional analysis framework. The scientific application of this method requires adherence to the principles of systematicity, dynamism, and objectivity, ensuring the accuracy of analysis results through multi-dimensional data collection and cross validation. From a methodological perspective, SWOT analysis involves a dialectical process of decomposition and synthesis, which involves independent analysis of strengths, weaknesses, opportunities, and threats, followed by matrix integration to form a strategic matching plan ^[23].

In channel strategy analysis, the identification of strengths and weaknesses needs to be carried out in conjunction with the enterprise's resource endowment and operational capabilities. The internal advantages of enterprises are usually reflected in core elements such as brand influence, channel network coverage, supply chain response speed, and core technological capabilities. For example, a stable sales network is a key guarantee for the development of the home appliance industry, and its coverage breadth and depth directly affect the market penetration ability of enterprises. This network effect constitutes the core competitive advantage of enterprises. The disadvantages may stem from insufficient channel control capabilities, blind spots in regional market coverage, or low inventory management efficiency, which can weaken the synergies of the enterprise's channel network. By comparing and analyzing channel operation data from different regional markets, weak links in the enterprise channel system can be accurately identified, providing empirical basis for optimizing strategies.

The analysis of opportunities and threats in the external environment needs to be combined with macro market trends and industry competition patterns. The opportunity dimension usually involves policy benefits, demand growth brought about by consumption upgrading, and the emergence of emerging channel forms, such as the popularity of digital marketing platforms providing technical support for channel innovation. Threats may arise from adjustments to competitors' channel strategies, fluctuations in supply chain costs, increased market saturation, or the emergence of emerging alternatives. For example, the expansion of home appliance chain retail channels may squeeze the survival space of traditional distribution networks, and this structural change may pose a potential threat to the traditional channel model ^[24]. Scientific SWOT analysis requires evaluating the matching degree between external variables and the company's own capabilities, and identifying opportunities with strategic value.

The ultimate goal of SWOT analysis is to form a strategic matching plan. By strategically coupling internal advantages with external opportunities, an SO strategy can be formed; Combining internal weaknesses with external opportunities

requires the development of a WO defense strategy; The matching of advantages and threats constitutes the ST avoidance scheme, while the superposition of disadvantages and threats requires the adoption of WT contraction strategy. This matrix based strategy generation mechanism provides a clear decision-making path for enterprise channel differentiation strategy. In response to the continuous increase in online channel penetration rate in the home appliance industry, enterprises can combine their digital capabilities with opportunities for e-commerce channel development to build an O2O channel system that integrates online and offline channels. This strategic combination is a typical application of SO strategy ^[24]. At the same time, attention should be paid to dynamic adjustment mechanisms during the analysis process, and the analysis results should be regularly updated to cope with rapid changes in the market environment.

The Porter's Five Forces analysis method, as a core theoretical tool in the field of competitive strategy, systematically constructs an analytical framework for industry competition structure, providing theoretical support for the study of enterprise channel strategy. This method was proposed by Michael Porter, which deconstructs the five decisive forces of industry competition intensity and reveals the formation mechanism of market position and profitability of enterprises. In the research of channel differentiation strategy, this method can help enterprises identify the competitive pressure sources faced by the channel system, and then optimize the allocation of channel resources and competitive strategies.

The competition intensity of existing competitors in the industry is the primary consideration factor for channel strategy formulation. In the channel network layout of the home appliance industry, it is necessary to focus on analyzing competitors' product positioning, channel coverage, and marketing strategies. By evaluating the channel penetration rate and brand influence of competitors, companies can identify differentiated competitive spaces, such as establishing regional distribution networks in third - and fourth tier markets, or strengthening service response speed through online channels, thereby building channel differentiation from competitors. The market behavior of competitors not only

affects the stability of the price system, but also determines the necessity of channel innovation, such as using digital tools to improve terminal sales efficiency and form a technology driven channel competitive advantage.

The threat of potential competitors entering requires companies to establish channel barriers to maintain their competitive advantage. In the construction of channel networks in the home appliance industry, it is necessary to enhance the market entry costs of new entrants through factors such as economies of scale, brand loyalty, and supply chain integration capabilities. Establishing long-term strategic partnerships with core suppliers to create a lock-in effect on supply chain channels; Or accumulate user behavior data through omnichannel data platforms, forming data asset barriers for channel networks and suppressing the rapid expansion capabilities of potential competitors. This defensive strategy can consolidate the structural advantages of the enterprise's channel system.

The emergence of substitutes will shake the market positioning of enterprise products, thereby affecting the realization of channel value. In the home appliance industry, the substitution effect between smart home appliances and traditional products is becoming increasingly significant. The bargaining power of suppliers directly affects the channel cost structure and supply chain stability.

The bargaining power of buyers forces companies to optimize their channel value creation models. In the field of home appliance retail, consumers' comprehensive demands for product performance, price, and service are constantly upgrading, and Midea needs to enhance customer value perception through channel innovation. For example, establishing a full cycle service system covering pre-sales consultation, in sales distribution, and after-sales maintenance, and enhancing user stickiness through experiential marketing at channel terminals; By utilizing big data analysis technology to accurately locate segmented market demands, we aim to promote the transformation of channel networks towards precision and personalization, thereby enhancing customer satisfaction while reducing bargaining pressure on buyers.

The Porter's Five Forces analysis provides a theoretical framework for dynamic evaluation of enterprise channel strategy by systematically deconstructing industry competitive factors. In the research on channel differentiation strategy of Midea Group, this method can help identify the structural challenges faced by the channel network, guide enterprises to formulate systematic strategies in competitor defense, alternative product response, supply chain optimization, and customer value enhancement, and ultimately achieve sustainable competitive advantages in the channel system. By continuously monitoring the dynamic changes of each element in the Five Forces model, enterprises can establish an agile channel strategy adjustment mechanism to ensure that the channel network always maintains synergy with changes in the market environment.

CHAPTER 2

ANALYSIS OF THE CURRENT SITUATION OF MIDEA GROUP'S CHANNELS

2.1. Analysis of Channel Environment Adaptability Based on PESTEL Model

Midea Group was founded in 1968 and is headquartered in Shunde, Guangdong. It is a global technology group with the vision of "technology for the betterment of life". Our business covers six major fields: smart home, new energy and industrial technology, intelligent building technology, robotics and automation, healthcare, and smart logistics. We have built a business matrix that emphasizes both ToC and ToB. Its smart home business focuses on whole house smart scenarios, providing end-to-end smart living solutions through user operations and data value mining. In 2024, the group's revenue exceeded 409.1 billion yuan, with over 190000 employees worldwide, and has been listed on the Fortune Global 500 for several consecutive years. As a technology driven industry leader, Midea relies on over 400 subsidiaries, 38 research and development centers, and 44 major manufacturing bases worldwide to continuously reconstruct the living experience through technological innovation, and promises to achieve carbon neutrality by 2060. As shown in Table 2.1, its subsidiaries include Midea, Little Swan, Hualing COLMO 、 KUKA and other brands serve over 500 million users worldwide.

Since 2013, Midea Group has been guided by channel flattening and systematically promoting channel system reconstruction. Its transformation process can be divided into three key stages.

The first stage (2013-2015) focused on optimizing the channel hierarchy, gradually adjusting the sales network from a three-tier structure of "manufacturer first tier distributor second tier distributor terminal retail store" to a two-tier structure

of "manufacturer agent terminal retail store" by reducing the number of secondary distributors in the traditional distribution system.

Table 2.1 - Main Products of Midea Group

Business Segment	Specific Categories / Businesses	Brand / Sub-brand / Technical Identification
Smart Home Business	Air Conditioners	Midea, TOSHIBA, COLMO, LittleSwan, COOLFREE, WAHIN, comfee'
	Washing Machines and Refrigerators	Midea, TOSHIBA, COLMO, LittleSwan, COOLFREE, WAHIN, comfee'
	Kitchen Appliances and Other Home Appliances (e.g., Range Hoods, Ovens, Rice Cookers, Vacuum Cleaners, etc.)	Midea, TOSHIBA, COLMO, LittleSwan, COOLFREE, WAHIN, comfee'
Commercial and Industrial Solutions	New Energy and Industrial Technology (e.g., Compressors, Motors, Energy Storage Products, Servo Systems and Motion Control, etc.)	GMCC, Welling, HICONICS, SERVOTRONIX
	Smart Building Technology (e.g., Commercial Air Conditioners, Elevators and Escalators, etc.)	Midea, iBUILDING, CLIVET, Lingwang Elevator, HITONE
	Robotics and Automation (Industrial Robots, Warehouse Automation, etc.)	KUKA, swisslog healthcare, SWISSLOG
	Other Businesses (Digital Supply Chain Services, Medical Imaging Systems, Industrial Internet Cloud Services, etc.)	ANTO, WDM Wandong, Midea Cloud, Midea Meizhi Optoelectronics

Source: Network , Midea official website

This change directly reduces the intermediate links in the channel, allowing Midea to strengthen its control over terminal retail outlets, while promoting the transformation of distributors into modern enterprises through the establishment of regional agency companies. During this period, Midea developed over 300 agent companies nationwide, which significantly improved regional market response efficiency through unified procurement, warehousing, and logistics services.

The second phase (2016-2018) focuses on promoting the integration of online and offline channels. As shown in Figure 2.1, the group has established an O2O sales network of "online flagship store+offline experience store" through deep

cooperation with e-commerce platforms such as JD.com and Tmall. It is worth noting that Midea launched the "Meiyun Sales" channel management platform in 2017, which achieves digital integration of order flow, logistics, and capital flow. This system not only supports online and offline inventory sharing, but also accurately matches regional market demand through big data analysis, greatly reducing the time for products to go from factories to consumers. At the same time, Midea is accelerating the intelligent transformation of offline retail terminals, laying out over 5000 smart stores nationwide, equipped with digital tools such as electronic price tags and intelligent shopping guides, to achieve real-time synchronization of online and offline price systems and promotional activities.

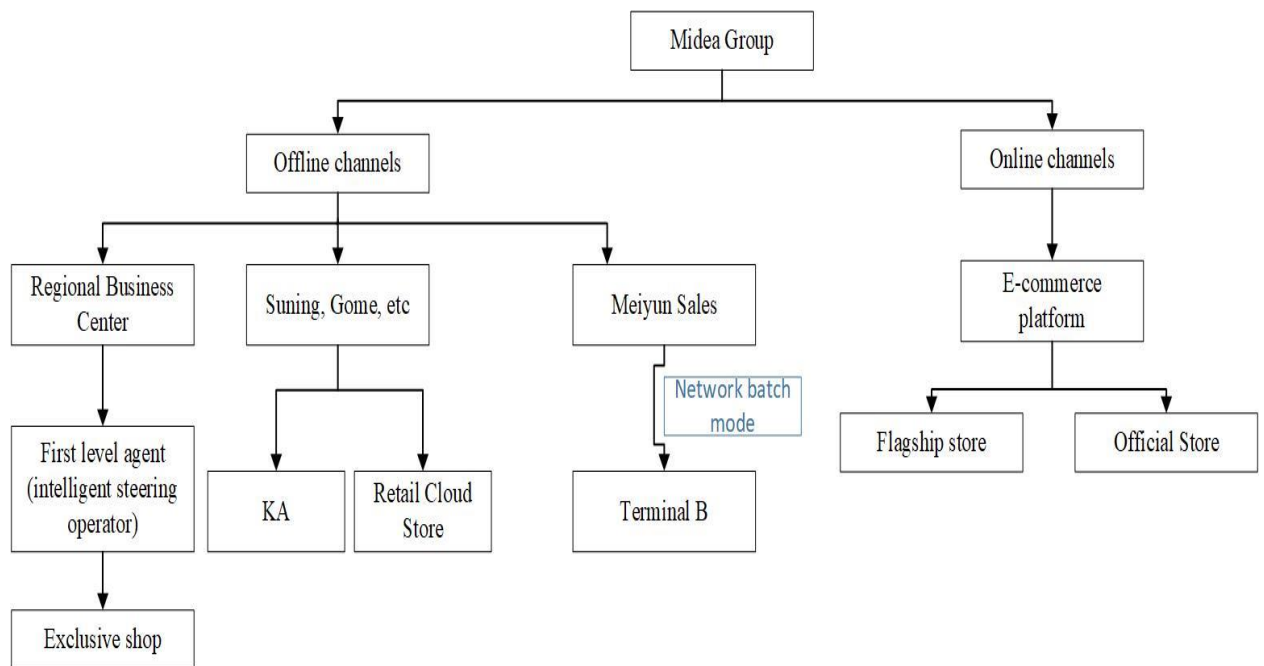


Figure 2.1 - Multi channel Integration Diagram of Midea Group

Source: Yuanchuan Research Institute

In the process of channel ecological development in the third stage (2019 present), Midea Group not only built a service network covering the entire life cycle of household appliances by investing in and controlling regional chain stores, participating in home decoration platforms, and establishing a user community operation system, but also continued to innovate in channel models. Compared with

the multi-level (manufacturer → agent → distributor → consumer) logistics model of traditional agency distribution and the large inventory backlog logistics model, Midea Group actively promoted the network batch model, as shown in Figure 2.2, simplifying the hierarchy to manufacturers directly connected to distributors (with the assistance of operators), relying on central warehouses to achieve efficient logistics operation. At the same time, with the help of a digital middle platform system, channel data was fully connected to monitor the operation status of more than 3000 agents and 200000 terminal outlets in real time, forming a "data-driven precision marketing" model. The closed-loop management system of "instant feedback"; Strategic cooperation with home furnishing stores such as Surprisingly Home enables products such as air conditioners and kitchen appliances to be embedded in home decoration scenarios. The "Midea Home" service platform integrates value-added services such as installation, maintenance, and trade in, comprehensively promoting the iterative upgrading of the channel ecosystem.

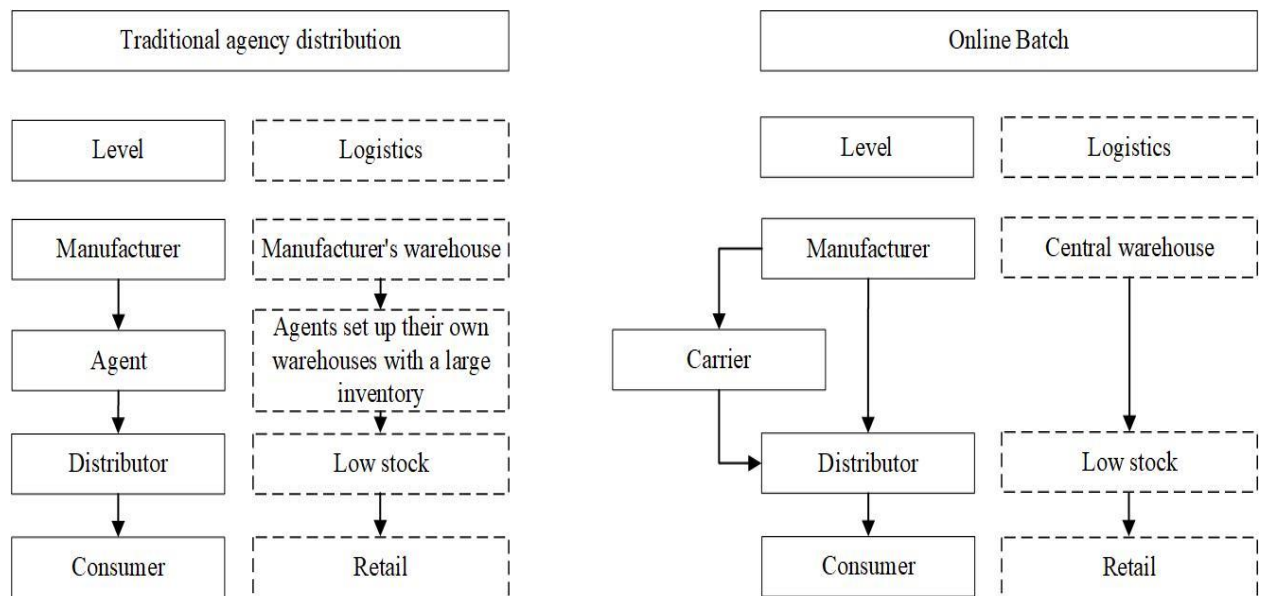


Figure 2.2 - Traditional Agent Distribution and Online Batch Process of Midea Group

Source: Company announcement compilation, Zhongtai Securities Research Institute

Combining macroeconomic, industry policies, and technological trends, this study systematically analyzes the adaptability of Midea Group's channels to the external environment from six dimensions: politics, economy, society, technology, environment, and law. It clarifies the impact of policy dividends, consumption trends, and technological changes on channel layout.

Political Environment: Policy Driven Channel Transformation

National level policies continue to provide clear guidance for the transformation of home appliance channels, and the implementation of multiple new policies in 2025 further strengthens the two core directions of "green intelligence" and "elderly friendly transformation" (table2.2). In March, the National Development and Reform Commission and the Ministry of Ecology and Environment jointly issued the "Implementation Opinions on Accelerating the Development of Green Smart Home Industry to Help Achieve Carbon Peak and Carbon Neutrality Goals", which clearly stated that a maximum subsidy of 30% would be given for the purchase of photovoltaic integrated smart home equipment, and required home appliance enterprises to set up a "low-carbon product special zone" in their channels, supporting subsidy policy interpretation and application services.

In January, the Ministry of Commerce and six other departments issued the "Notice on Doing a Good Job in the 'Revitalization' of Home Decoration, Kitchen and Bathroom in 2025", further refining the subsidy categories and processes, including smart kitchen appliances and elderly friendly bathroom equipment in the subsidy scope, setting a subsidy ratio of 10% -30% in stages, and supporting the application mode of "online application+offline verification". In addition, the requirement of "promoting the integration of physical retail and digital economy" in the "Implementation Plan for Retail Innovation Enhancement Project" in November 2024 has also prompted home appliance enterprises to accelerate the digital transformation of offline stores.

Local policies focus on regional channel coordination and infrastructure support. Guangdong, Zhejiang and other home appliance industry clusters have

launched the "Intelligent Channel Construction Subsidy Plan", which provides a 15%-20% tax rebate for enterprises to build regional intelligent warehousing centers and county-level community stores.

Table 2.2 - Summary of Policy Updates in China's Smart Home Industry in Recent Three Years

Release Date	Issuing Unit	Policy Name	Main Content
March 2025	National Development and Reform Commission, Ministry of Ecology and Environment	Opinions on Accelerating the Development of Green Smart Home Industry and Helping Achieve the Carbon Peak and Carbon Neutrality Goals	Encourage the research and development of low-carbon and energy-saving smart home products, clarify the subsidy policy for integrated optical-storage smart home equipment. Support the integration of smart homes with building energy-saving systems, promote the application of smart temperature control and smart lighting systems to reduce household carbon emissions.
January 2025	General Office of 6 Ministries including the Ministry of Commerce	Notice of the General Office of 6 Ministries including the Ministry of Commerce on Doing a Good Job in the 2025 Home Decoration and Kitchen & Bathroom "Renewal" Work	Focus on green, intelligent, and age-appropriate directions, clarify five major subsidy categories such as decoration materials and smart homes, set subsidy standards by grades (up to 30%), and enterprises independently determine the implementation method; optimize the application process, strengthen fund supervision, and report work progress in a timely manner to release household consumption potential.
November 2024	General Office of 7 Ministries including the Ministry of Commerce	Implementation Plan for the Retail Industry Innovation and Upgrading Project	Encourage automobiles, home appliances, etc. to "trade-in", cultivate smart homes, smart energy and other consumption growth points; promote the deep integration of physical retail and digital economy, and develop smart stores, contactless transactions, self-service settlement and other models.
August 2024	6 Ministries including the Ministry of Industry and Information Technology and the Ministry of Civil Affairs	Notice on Promoting the Special Action for the Aging Transformation of Smart Homes	Focus on the elderly's home scenarios, promote smart monitoring equipment, promote the simplified interaction design of smart home systems, reduce operation difficulty, and improve the safety and convenience of the elderly at home. Promote the low-carbon interconnection of smart home equipment, establish and improve the standard system, and promote the development from single-product intelligence to full-house intelligence.

Source: Compiled from national websites

At the international political level, although the trade friction between China and the United States has eased, trade barriers such as the EU's "New Battery Regulation" and "Ecological Design Directive" have been upgraded, requiring household appliances to label their carbon footprint and reduce standby power consumption to below 0.5W.

Economic environment: consumption stratification drives channel differentiation. As shown in Figure 2.3, China's GDP will reach 134.91 trillion yuan in 2024, a year-on-year increase of 4.2%, and the per capita disposable income of residents will increase to 95700 yuan (as shown in Figure 2.4). The dual drivers of consumption upgrading and downward market demand are channel differentiation. Consumers in first tier cities have a strong demand for high-end smart home appliances. The Midea COLMO brand has established 20 whole house smart experience centers in cities such as Beijing, Shanghai, Guangzhou, and Shenzhen through the "high-end experience store+private domain service" channel model, providing customized scene solutions. In 2024, COLMO channel sales increased by 68% year-on-year, with a unit price exceeding 20000 yuan.

The demand characteristics of "cost-effectiveness+basic intelligence" are present in third - and fourth tier cities and rural markets. According to data from the National Bureau of Statistics, the per capita disposable income of rural residents will increase by 6.6% year-on-year in 2024, and there is still room for improvement in the household appliance penetration rate by 15% to 20%. Midea has established 800 community specialty stores in county-level markets through e-commerce channels such as "Suning Retail Cloud+Tmall Youpin", combined with county-level dealer alliances, focusing on smart home appliances in the price range of 1000 to 3000 yuan. By 2024, sales from these channels will increase by 30%, accounting for 28% of total sales.

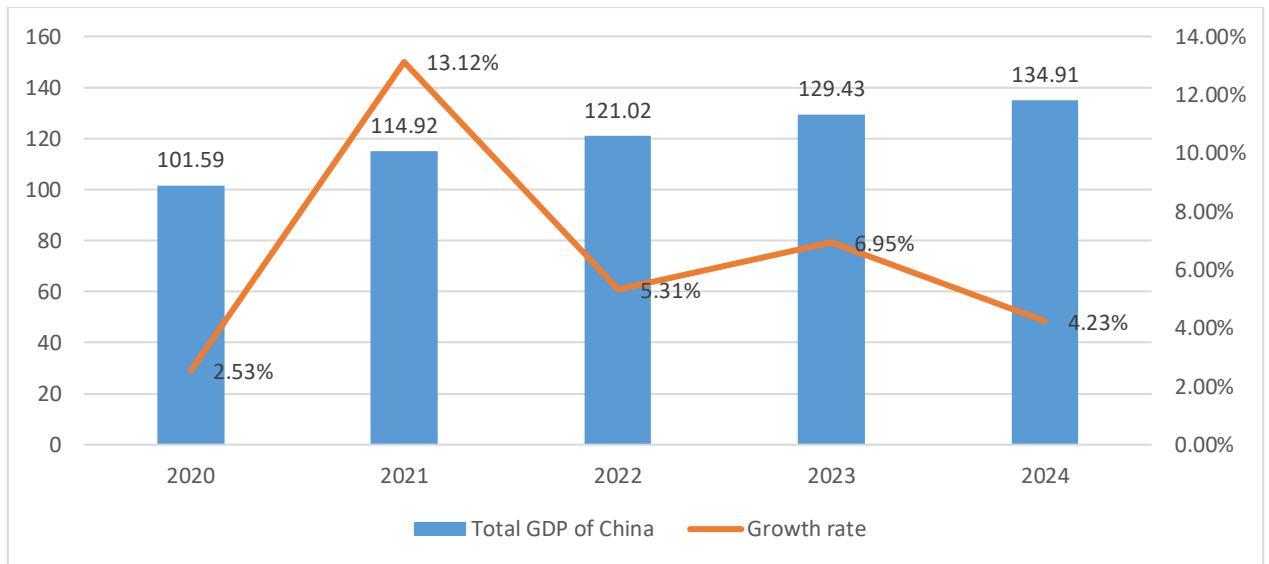


Figure 2.3 - Development and Changes of China's GDP (Unit: Trillion yuan)

Source: Zhongjing Data

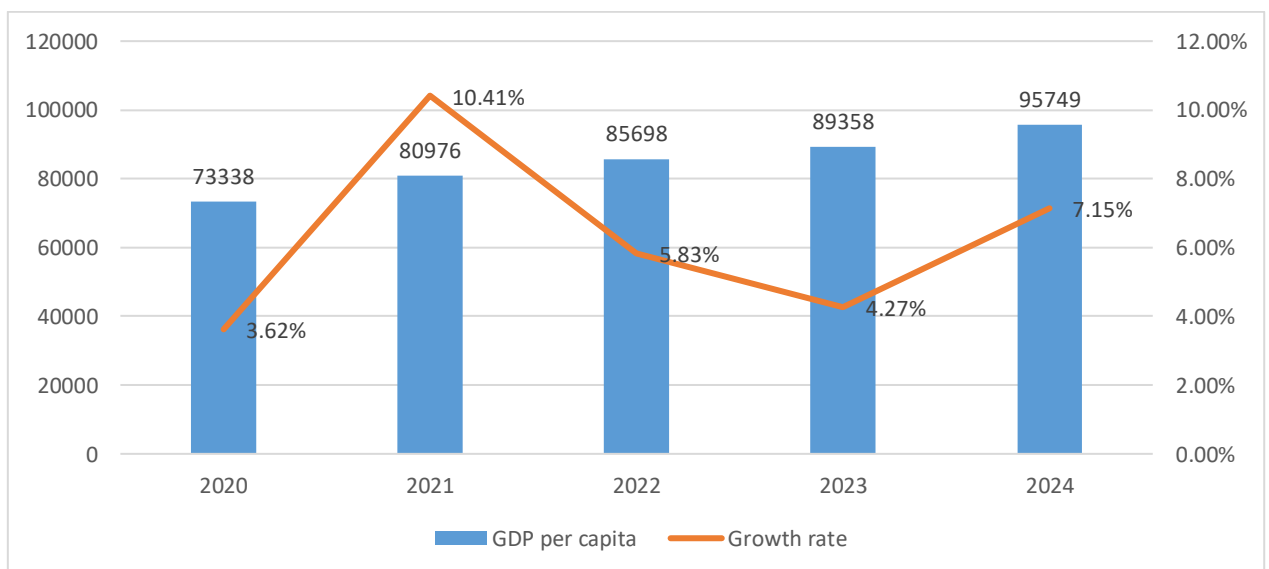


Figure 2.4 - Development and Changes of Per Capita GDP in China (Unit: yuan)

Data source: National Data Network

Global economic fluctuations drive the localization of overseas channels. As shown in Table 2.3, Midea's overseas revenue in 2024 was 169.034 billion yuan, accounting for 41.52%. However, due to exchange rate fluctuations and trade barriers, the operating costs of overseas channels have increased. Midea has

achieved over 90% localization of production and reduced tariff costs through overseas production bases such as Vietnam and Brazil; Cooperating with local home integrators in the European market to embed COLMO products into high-end home decoration channels, the sales of European market channels will increase by 25% year-on-year in 2024, effectively hedging against economic fluctuations.

Table 2.3 - Composition of Midea Group's Operating Income in 2024

Unit: Thousand Yuan

Item	2024 Amount	2024 Proportion of Operating Income	Year-on-Year Change vs 2023
Total Operating Income	407,149,600	100.00%	9.44%
By Region			
Domestic	238,115,217	58.48%	7.68%
Overseas	169,034,383	41.52%	12.01%
By Sales Model			
Online	85,622,150	21.03%	10.72%
Offline	321,527,450	78.97%	9.10%

Source: Midea Group 2024 Annual Report

(3) Social environment: demand diversification reshapes channel services

The profound impact of changes in population structure and consumer attitudes on channel service paradigms. As shown in Figure 2.5, data from the National Bureau of Statistics shows that by the end of 2024, there were 310.31 million elderly people aged 60 and above in China, accounting for 22.0% of the total population; There are 220.23 million elderly people aged 65 and above in China, accounting for 15.6% of the total population. The intensification of aging has given rise to the demand for the "silver haired economy". The China Aging Science Research Center predicts that by 2035, the scale of China's silver haired economy is expected to exceed 30 trillion yuan. With the acceleration of an aging society, the demand for aging friendly and healthy home appliances continues to rise, and new consumption potential is being continuously activated. According to data from OvCloud, the market size of aging friendly home appliances is expected to exceed 100 billion yuan by 2025, and is expected to reach the trillion yuan level by 2030. In response to the demand for aging friendly smart homes among people aged 60 and above, Midea

has equipped community stores and specialty stores with aging friendly service specialists to provide product operation teaching, on-site debugging, and other services. At the same time, Midea has developed aging friendly functions such as "one click call for help" and "voice simplified control".

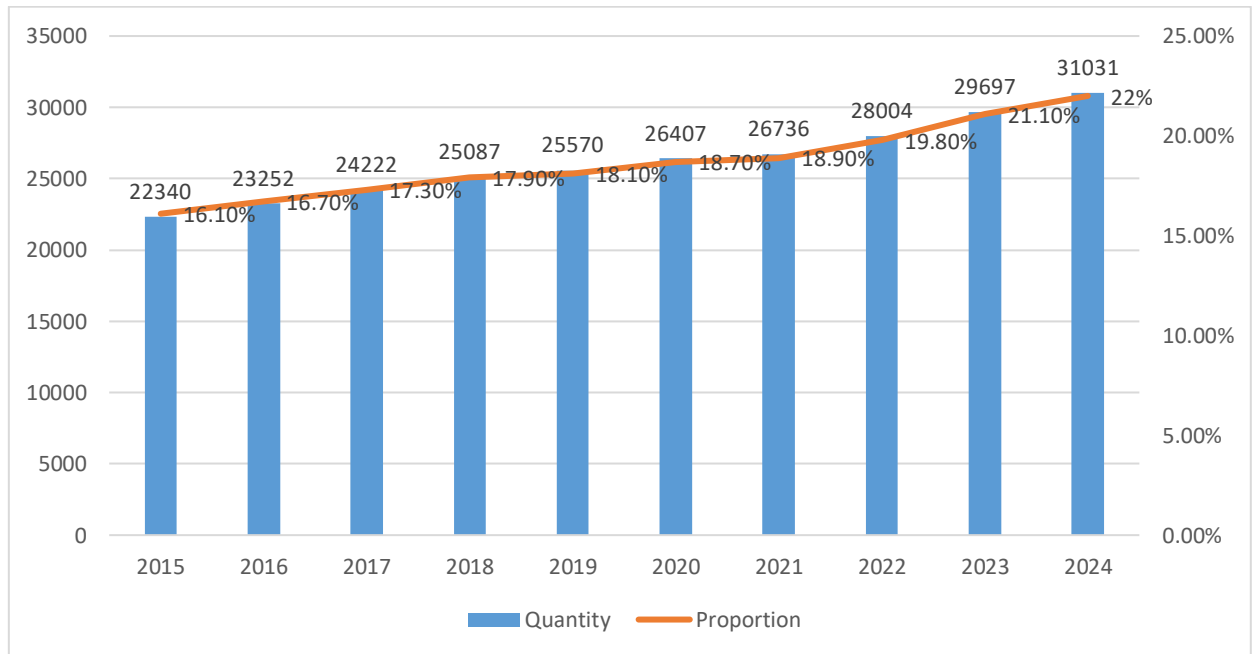


Figure 2.5 - Number of elderly people aged 60 and above in China and their proportion to the total population from 2015 to 2024

Source: "2024 National Aging Development Bulletin"

The young consumer group, especially Generation Z (25-35 years old), has become the main consumer force, and their preference for technology and scene based experiences is driving channel innovation. Midea has opened the "Smart Life Lab" live studio in Tiktok and Kwai, which will broadcast 4 hours of smart home appliance linkage scenarios every day. In 2024, the sales of live e-commerce channels will grow by 200%, of which the generation Z users will account for 62%; Offline stores will create "kitchen scene experience areas" and "living room intelligent interaction areas" to attract young consumers through immersive experiences, and the attendance rate of young customers in offline stores will increase by 2024.

The improvement of health awareness drives the growth of healthy home appliance channels. In the post pandemic era, consumer demand for air purification,

water quality monitoring, and sleep health products has surged. Midea has set up a "health home appliance zone" in its channels, equipped with professional testing equipment and experiential services. For example, the air purifier zone provides customized indoor air quality testing and purification solutions.

(4) Technological Environment: Digitalization and Intelligence Empower Channel Upgrade

The continuous deepening of technological innovation in the smart home industry provides key support for differentiated channel advantages. AI technology is widely applied, endowing devices with intelligent perception and decision-making capabilities, such as voice interaction of smart speakers and AI adaptive temperature control of air conditioners, greatly improving user experience; The Internet of Things and 5G technology have built a device interconnection ecosystem, breaking down the barriers of single product intelligence, promoting the popularization of whole house intelligent scene based solutions, and realizing real-time linkage of lighting, security, home appliances and other devices. The advancement of sensor technology has strengthened environmental monitoring capabilities, enabling products such as air purifiers and smart door locks to have more precise health and safety protection functions.

At the level of industrial digitization, enterprises rely on digital technology to optimize the entire chain operation. To address the pain points of smart home sales and services, service providers provide digital solutions that integrate marketing, logistics, after-sales, and other aspects. Through big data analysis of user needs, they guide product development and precision marketing; Utilizing cloud computing to achieve remote management and upgrading of devices, reducing maintenance costs. Under technological empowerment, the efficiency of production, sales, and service processes has significantly improved.

The new e-commerce model also injects vitality into the development of the industry, and promotes channels to break through time and space limitations, achieving "global reach and global coverage". In the domestic market, interest based e-commerce and live streaming sales rely on technological tools to create immersive

channel experiences. Through scenario based demonstrations, interest based e-commerce and live streaming sales intuitively display product functions and stimulate consumer demand; Cross border e-commerce leverages digital technology to expand overseas markets, promote smart home enterprises to export "Made in China" technology and products, and accelerate global layout. The maturity of technology and digital transformation are driving the smart home industry towards a new stage of scenario based, efficient, and globalized development.

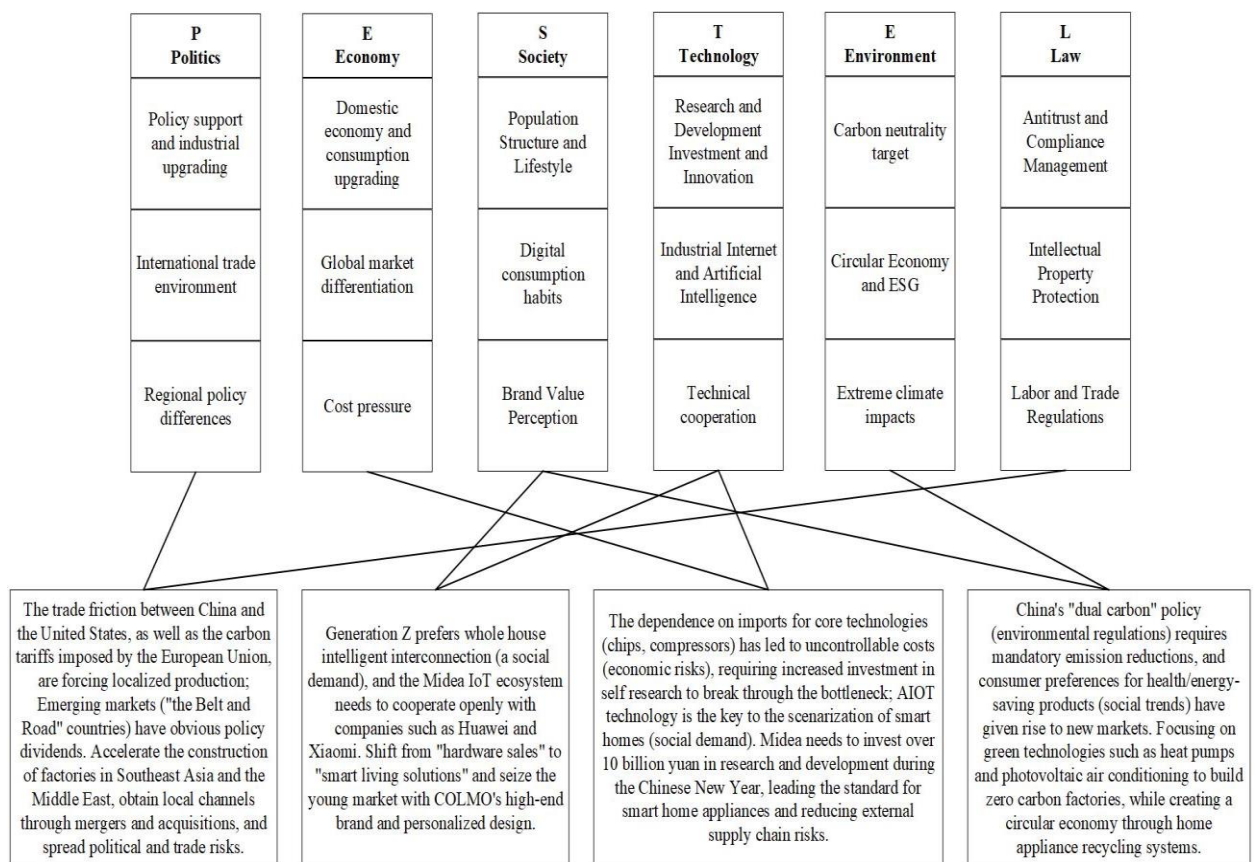


Figure 2.6 - PESTEL analysis model

Source: Compiled from this study

Environment and Legal Environment: Green Compliance Constraints on Channel Operations

The "dual carbon" target and stricter environmental policies have led to increasing global attention to environmental protection. Environmental policies in various countries are becoming increasingly stringent, promoting the green

transformation of channels. In the home appliance industry, higher requirements are put forward for product energy consumption, use of harmful substances, and recycling and disposal of waste home appliances. The new national standard "GB 12021.3-2020" requires a 10% increase in air conditioning energy efficiency ratio, and the EU's "Ecological Design Directive" requires that the standby power consumption of household appliances be reduced to below 0.5W.

Nielsen research shows that 78% of consumers are willing to pay a 10% premium for eco-friendly home appliances. According to the data from CCTV Finance's "Better Life Survey", 51% of the population consider energy conservation and environmental protection as the preferred factors for improving household appliances. The proportion of attention to service and quality is 44.48% and 38.96% respectively, second only to energy conservation and environmental protection. The E-commerce Law strengthens the supervision of online channels and requires platform merchants to improve consumer rights protection. After the fourth amendment to the Patent Law, the maximum compensation for intentional infringement has been raised to 5 million yuan, and home appliance companies are promoting patented technology products in their channels while cracking down on channel infringement behavior. At the same time, the Data Security Law promotes the standardization of channel data and strengthens user privacy protection.

2.2 Channel Resource and Capability Analysis Based on SWOT Model

Based on the business structure, R&D investment, and global layout of Midea Group, analyze the channel resource endowment and capability shortcomings from four dimensions: advantages, disadvantages, opportunities, and threats, and clarify the strategic adaptation direction, as shown in Figure 2.7.

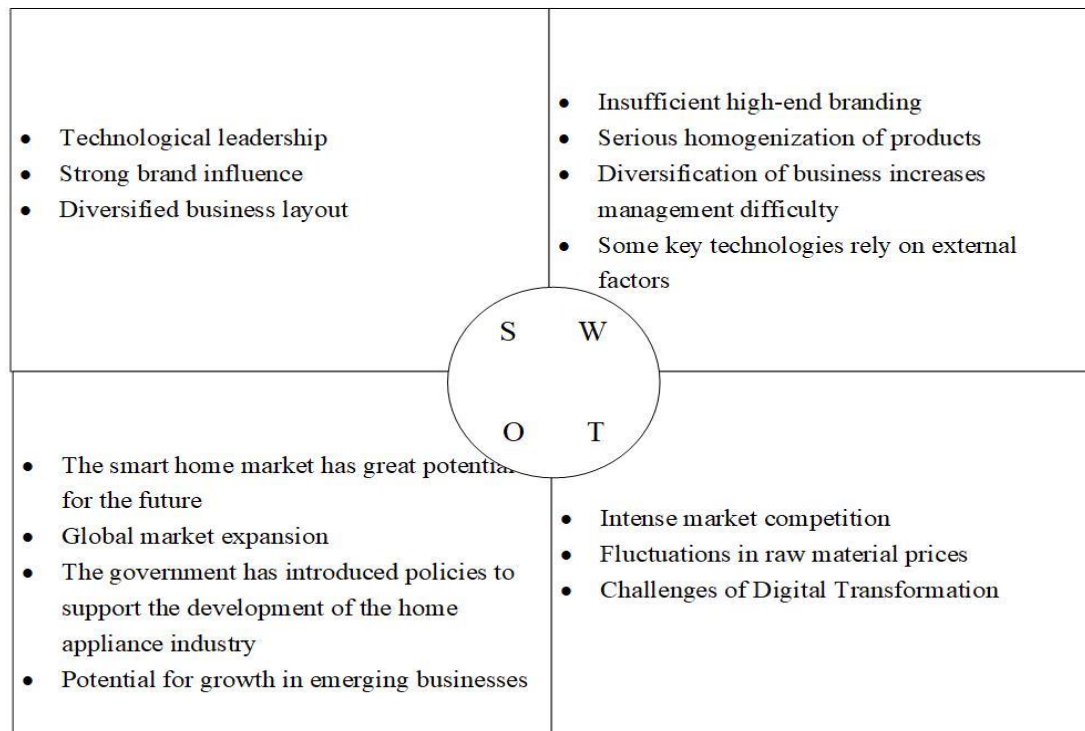


Figure 2.7 - SWOT analysis of Midea Group

Source: Analysis of this study, data from OviCloud Network

Advantage (S): Multi dimensional resources support channel differentiation

Brand and product matrix advantages: Midea has Midea, Little Swan COLMO, Toshiba and other brands cover high, medium, and low-end markets, and can adapt to different channel positioning. COLMO focuses on high-end experience store channels and will launch the "AI Home Brain" system in 2024 to achieve proactive home appliance services; Little Swan relies on offline chain stores and specializes in cost-effective washing machines; Toshiba exports Japanese precision products through high-end overseas channels. The multi brand matrix achieves a differentiation rate of 85% for channel products, meeting the needs of different consumer groups.

Midea's long-term strategy is "product leadership, efficiency driven, and global operation", relying on the strategic development committee under the board of directors to coordinate and plan strategic directions (as shown in Figure 2.8), reconstructing the value chain through digital transformation, and improving response speed through the T+3 flexible manufacturing model. In the field of

research and development, Midea has 38 research and development centers and 44 manufacturing bases worldwide, with overseas channels covering over 200 countries and regions. It has built a "2+4+N" global network(as shown in Table 2.5), combined with the technology research and development platform in the organizational structure, integrating global resources to accelerate technology research and localization development. In the past five years, R&D investment has exceeded 60 billion yuan, promoting the landing of technologies such as AI voice interaction and intelligent IoT. Currently, the R&D team has over 23000 people (as shown in Table 2.4) and more than 500 foreign senior experts, providing talent support for technological innovation. In the Southeast Asian market, we cover over 90% of cities through a localized dealer network; In the European market, we have established deep cooperation with KA chain stores Media Markt and Saturn. By 2024, the proportion of overseas self owned brand revenue will increase to 60%, and e-commerce revenue will grow by 50% year-on-year. Our global channels have significant risk resistance capabilities.

Table 2.4 - R&D Personnel Situation of Midea Group (2021-2024)

R&D Personnel Situation	2024	2023	2022	2021
Number of R&D Personnel (Person)	23,693	23,242	20,782	18,105
Proportion of R&D Personnel	11.94%	11.69%	12.50%	10.92%

Source: Midea Group Annual Report 2021-2024

Digitization and supply chain advantages: Midea's "632" digitalization project (6 operational systems, 3 management platforms, 2 technology platforms) connects all channel data, and Midea's cloud sales platform realizes digital management of dealer orders, inventory, and rebates. By 2024, the platform's active users will increase by 40%; The intelligent warehousing network covers 30 regions across the country, combined with Ande Intelligent Logistics, achieving "24-hour delivery", reducing channel logistics costs by 15%, and leading the industry in operational efficiency.

Disadvantage (W): Shortcomings in channel capability hinder development

Insufficient operation of emerging online channels: Although Midea's online revenue accounts for 21.03%, its layout in emerging channels such as live streaming e-commerce and private domain traffic lags behind. The average daily viewing volume of Tiktok live broadcast is less than 100000 person times, lower than the level of 500000 person times of industry leading enterprises; The private community has only 5 million users and a user activity rate (with an average of 3 or more interactions per month) of only 35%. The lack of refined operation has led to low online user stickiness and conversion rates.

Table 2.5 - "2+4+N" Global R&D Network

Category	Name	Region or country
2 Domestic Dual Innovation Headquarters	Foshan Shunde Global Innovation Center	China
	Shanghai Global Innovation Park (Shanghai Global Innovation Center)	China
4 Comprehensive Overseas R&D Centers	Louisville R&D Center	USA
	Stuttgart R&D Center	Germany
	Osaka R&D Center	Japan
	Milan R&D Center	Italy
N Global Multi-field R&D Units	Zurich R&D Center, Switzerland	Europe
	Madrid R&D Center, Spain	
	Budapest R&D Center, Hungary	
	Bangkok R&D Center, Thailand	Asia
	New Delhi R&D Center, India	
	Seoul R&D Center, South Korea	
	São Paulo R&D Center, Brazil	Americas & Africa
	Johannesburg R&D Center, South Africa	
		

Source: Midea official website

Uneven penetration of sinking market channels: Although the coverage rate of channels in third - and fourth tier cities and rural markets reaches 90%, the density of outlets is insufficient, with only 1.2 stores per 10000 people, lower than Haier's level of 2.5 stores; Part of the rural markets in the central and western regions still rely on traditional couple stores, with disorderly product displays and weak service

capabilities. In 2024, the complaint rate of the sinking market channels accounted for 45% of the total complaints, mainly concentrated in problems such as slow after-sales response and unprofessional installation.

Poor synergy of ToB channels: Midea's ToB business (intelligent building technology, robotics and automation) channels are disconnected from the ToC channel, such as the central air conditioning channel of the intelligent building technology business, which has not formed customer resource sharing with the ToC home appliance channel; The industrial automation channel of the robot business has failed to collaborate with home appliance distributors to develop small and medium-sized enterprise customers. In 2024, the ToB channel sales accounted for only 25.67%, which is lower than the industry average of 35%.

Opportunity (O): External trends open up incremental space for channels

Policy dividends drive channel upgrading: Policies such as "trade in" and "green and intelligent home appliance subsidies" continue to exert force, driving home appliance consumption to exceed 1.3 trillion yuan by 2024. Midea can expand its integrated channel services of "subsidy application+old machine recycling+new machine sales" based on policies, such as setting up "trade in service stations" in stores, which will drive a 28% increase in store sales in 2024; At the same time, with the help of the "Digital Home Construction Pilot" policy, we will expand our B-end channels such as smart communities and furnished houses, and cooperate with top real estate developers for orders exceeding 1 billion yuan in 2024.

The demand for scenario based smart home solutions has exploded: by 2024, the size of China's smart home market will exceed 850 billion yuan, and the growth rate of whole house smart solutions will exceed 35%. Midea can build "scene based channels", such as creating immersive scenes such as "smart kitchen" and "smart bedroom" in the experience hall, supporting "home appliances+home decoration" packages. In 2024, scene based channel sales accounted for 18%, a year-on-year increase of 50%; At the same time, we cooperate with platforms such as Huawei HarmonyOS and Apple HomeKit to promote the integration of smart home appliances into cross brand ecosystems and expand ecological channels.

Globalization 2.0 opportunities: The penetration rate of home appliances in emerging markets such as Southeast Asia and the Middle East is less than 30%, and Midea can seize the market through localized production and channel construction. For example, in the Vietnamese market, partnering with local chain store Co.opmart to establish a "Midea Zone" will lead to a 45% increase in channel sales in Vietnam by 2024; In the Middle East market, we have established e-commerce platform Souq and offline experience stores, launched air conditioning products that are suitable for the local climate, and achieved sales of over 2 billion yuan in the Middle East channel by 2024.

Threat (T): Internal and external challenges intensify channel competition

Industry price wars squeeze profits: Leading companies in the home appliance industry frequently engage in price wars to seize market share, resulting in a year-on-year decrease of 8% to 12% in the average price of categories such as air conditioners and refrigerators in 2024. Due to high rental and labor costs, as well as insufficient price competitiveness, Midea's offline channels have seen some stores' gross profit margins drop from 25% to 18%; Online channels need to cope with the promotion pressure of e-commerce platforms. During the "Double 11" period in 2024, the average online price of Midea home appliances decreased by 15% year-on-year, and the profit margin was compressed.

Cross border competitors' impact: Technology companies such as Xiaomi and Huawei have entered the smart home market with their digital advantages. Xiaomi's IoT platform connects 560 million devices and attracts young consumers through "high cost-effectiveness+ecological linkage". In 2024, Xiaomi's smart home appliance channel sales will increase by 35%, which will have an impact on Midea's sinking market channels; Huawei is competing with COLMO in the high-end market through its "1+8+N" strategy. By 2024, Huawei's whole house intelligent channels will cover over 100 cities, diverting some high-end customer groups.

Supply chain cost fluctuations: In 2024, the prices of raw materials such as copper and steel will rise by 10%, and the supply of core components such as chips will be tight. Midea's channel procurement costs will increase by 8% year-on-year;

At the same time, logistics costs were affected by the rise in fuel prices, increasing by 5% year-on-year, while the transmission of terminal product prices was limited, resulting in further compression of channel profits. In 2024, the overall profit margin of the channel decreased by 3 percentage points.

SWOT combination strategy analysis

SO Strategy (Advantage Opportunity)

As a growth oriented strategy, its core logic is to leverage Midea's internal channel advantages to connect with external opportunities and amplify incremental growth. It deeply integrates core advantages such as multi brand matrix, digital capabilities, and global layout with green and intelligent policy dividends, smart home ecological demands, and emerging market expansion opportunities. By implementing customized policy acceptance plans for different brands, opening up M-Smart systems to build ecological channels, and relying on overseas bases to promote localized operations, we aim to achieve a dual improvement in channel scale and efficiency for high-end markets, sinking markets, and overseas markets.

WO Strategy (Disadvantage Opportunity)

Belonging to the transformation strategy, we focus on using external opportunities to make up for the shortcomings in channel capabilities. In response to the shortcomings of insufficient operation of emerging online channels, uneven penetration of sinking markets, and weak collaboration between ToB and ToC, we leverage the rise of content e-commerce, county-level commercial construction policies, intelligent construction, and ecological cooperation trends to accurately break through the situation. By building a live streaming base to strengthen online operations, collaborating with the government and logistics to improve the sinking network, and establishing a collaborative center to integrate ToB resources, the online conversion rate, sinking channel density, and ToB order volume have been effectively improved, promoting significant growth in the scale of private domain users and the proportion of home decoration channel drainage.

ST Strategy (Advantage Threat)

For a defensive strategy, leveraging internal channel advantages to resist external market threats, and utilizing core capabilities such as COLMO brand premium, supply chain digitization, and M-Smart ecosystem openness, we aim to address challenges such as industry price wars, cross-border competition among technology companies, and supply chain fluctuations. By controlling costs to maintain profit margins, expanding channel coverage through ecological adaptation, and ensuring stable operation through diversified supply, while avoiding homogeneous competition, we aim to achieve a higher gross profit margin for high-end products than the industry average, and significantly reduce overseas inventory turnover days and after-sales complaint rates.

WT Strategy (Disadvantage Threat)

As a contraction strategy, the focus is on avoiding the overlapping risks of disadvantages and threats. In response to the combination challenges of weak online operations and cross-border impacts, poor penetration and price wars, weak ToB collaboration and supply chain risks, resource focus and structural optimization strategies are adopted. By shrinking non core online channels, adjusting the structure of lower tier products, simplifying ToB product models, concentrating resources on core platforms and advantageous areas, reducing low price dependence and cooperation management costs, we aim to increase the proportion of core channel sales, improve profitability in lower tier markets, and increase ToB order fulfillment rates.

2.3 Analysis of Channel Competition Pattern Based on Porter's Five Forces Model

Based on industry competition, industry chain structure, and other factors, analyze the competitive situation of Midea's channels from five dimensions: competition within the industry, potential entrants, substitutes, suppliers, and buyers,

and clarify the core competitive pressure and response direction , as shown in Table 2.6.

Table 2.6 - Porter's Five Forces Model Analysis of Midea Group

Category	Specific Analysis
Bargaining Power of Suppliers	There are many and scattered upstream suppliers, with low dependence. Midea builds its own supply chain and takes stakes in key enterprises to reduce dependence on core components. Through large-scale procurement, long-term agreements, and futures hedging, it mitigates the price fluctuation risk of raw materials, which account for about 80% of operating costs.
Bargaining Power of Buyers	Midea has high brand awareness, but the home appliance market is highly competitive. With multi-channel coverage online and offline, e-commerce promotions intensify price competition, enhancing consumers' bargaining power.
Threat of Substitute Products	Competitors like Gree and Haier have little product differentiation, so cross-border substitution is highly possible. Midea acquired Kuka to lay out service robots and covers the entire price range with a multi-brand matrix to cope with consumer downgrading.
Threat of New Entrants	Midea has high barriers in capital, technology, and channels, and the home appliance industry is relatively saturated. However, Huawei and Xiaomi's entry into the smart home appliance industry brings impacts.
Rivalry Among Existing Competitors	It is difficult to expand the scale of the traditional home appliance market, and new forces such as Huawei and Xiaomi have joined, leading to fierce competition in the industry.

Source: Midea Group's relevant industry analysis materials

Existing competitors in the industry: Channel innovation intensifies competition

Leading companies in the home appliance industry are seizing the market through innovation such as omnichannel integration and scenario based experience, while Midea is facing direct competitive pressure from companies such as Haier, Gree, and Xiaomi. Haier implements the "RenDanHeYi" model, and its channel response speed is 20% faster than that of Meijia. Its "smart home brain" connects more than 500 million devices, leading the smart channel layout in the whole house. In 2024, Haier's smart sales in the whole house will grow by 40% year-on-year, accounting for 25%; Gree has cancelled all levels of agents, and dealers directly connect with the headquarters. The channel efficiency is 15% higher than that of

Midea. By 2024, Gree's offline channel costs will be reduced by 10%, and its price competitiveness will be enhanced.

Emerging brands focus on the breakthrough of subdivided channels. For example, Xiaoxiong Electric deepens its efforts in online youth channels, and achieves precision marketing through "scene based content+KOL grass planting" in Xiaohongshu and Tiktok. In 2024, online channel sales will account for 80%; Ecovacs focuses on offline experience channels for cleaning appliances and has established "Dibao Experience Stores" in shopping centers. By 2024, offline channel sales will increase by 35%, diverting customers from Midea's small home appliance channel.

To cope with competition, Midea needs to strengthen channel differentiation: in the high-end market, COLMO enhances brand premium through "private domain services+customized solutions"; Accelerate the layout of community specialty stores and improve the service network in the sinking market; In segmented categories, create exclusive channels for cleaning appliances, kitchen appliances, etc.

Potential entrants: Technological and ecological barriers to resist new players

Potential entrants in the home appliance channel mainly face three major barriers: technology, brand, and scale. Midea, with its accumulated resource advantages, effectively resists the threat of new entrants. On a technical level, the Midea MSmart system has achieved interconnection of over 1000 brand devices, and channel digitization tools require long-term research and development investment, making it difficult for new entrants to replicate in the short term; At the brand level, Midea has been listed in the Fortune Global 500 for several consecutive years, with a consumer brand awareness rate of 90%. New entrants need to invest huge marketing expenses to establish trust; At the scale level, Midea's global manufacturing and logistics network can achieve cost sharing, with channel procurement costs 15% -20% lower than new entrants, and significant price advantages.

However, cross-border technology companies still pose potential threats. For example, Huawei relies on the HarmonyOS system to enter the smart home channel.

By 2024, there will be over 2000 HarmonyOS smart connected home appliance brands, and the channel ecosystem will gradually improve; ByteDance launched the "home appliance live broadcast base" through the Tiktok e-commerce channel. In 2024, the sales of home appliance live broadcast will increase by 200%, trying to control the channel traffic entrance. Midea needs to proactively respond to cross-border competition by opening up its ecosystem and strengthening content marketing.

Alternative: Scenario based services reduce substitution risks

The substitutes for the smart home industry mainly include traditional non smart home appliances and cross category smart products (such as smart furniture and smart security), but Midea reduces substitution risks through scenario based channel services. Regarding traditional home appliances, Midea highlights the energy-saving and convenient advantages of smart home appliances in its channels. For example, by comparing and demonstrating the energy consumption differences between smart air conditioners and traditional air conditioners, the penetration rate of smart air conditioning channels will increase from 42% to 55% in 2024; For cross category products, Midea achieves category complementarity through the collaborative channel of "home appliances+home furnishings".

However, some segmented areas still face substitution pressure, such as the replacement rate of intelligent integrated stoves for traditional smoke stoves. Midea needs to accelerate the layout of integrated stove channels, add integrated stove experience scenarios in the kitchen appliances section, and increase sales of integrated stove channels by 60% in 2024 to effectively hedge substitution risks.

Supplier: Scale advantage weakens bargaining power

Midea's channel suppliers mainly include raw material suppliers (copper, steel), component suppliers (chips, motors), and logistics service providers. Due to Midea's large procurement scale and dispersed suppliers, their bargaining power is weak. In terms of raw materials, Midea purchases over 1 million tons of copper and steel annually and can lock in prices through long-term agreements. By 2024, the cost of raw material procurement will be 8% lower than that of small and medium-sized

enterprises; In terms of components, Midea has established strategic partnerships with chip manufacturer Qualcomm and motor manufacturer Weiling, ensuring stable supply of core components; In terms of logistics, Midea's own Ande Zhilian Logistics accounts for 60%, while external logistics service providers (SF Express, JD Logistics) offer preferential freight rates to compete for cooperation, with logistics costs lower than the industry average. However, there are still supply risks for core components. The global chip shortage in 2024 has caused delays in the production of some smart home appliances. Midea needs to reduce supplier constraints and ensure stable channel supply through diversified procurement and strategic reserves.

Buyer: Transparent information enhances bargaining power

With the integration of online and offline channels, consumers have increasingly diversified channels to obtain product information, and their bargaining power has significantly improved. The price comparison function of online platforms such as Tmall and JD.com enables consumers to quickly find low-priced products. Midea's online channels have had to frequently participate in promotional activities, resulting in a 12% year-on-year decrease in average product prices during the 2024 online promotion period; Offline channels are facing a diversion of "experience stores+online orders". In 2024, the proportion of customers who only experience without purchasing in Midea's offline stores reached 40%, resulting in a decrease in conversion rates.

To cope with the bargaining pressure of buyers, Midea needs to enhance added value through service differentiation: online channels, launching "extended warranty service+free installation" packages; Offline channels provide "scenario based solution design+lifelong maintenance" services, effectively reducing price sensitivity.

Table 2.7 - Porter's Five Forces Analysis Radar Table

Competitive Dimension	Reference Elements	Weight, %	Score	Score Evaluation
1	2	3	4	5
Bargaining Power of Suppliers	How suppliers are distributed	40	2.0	2.4
	Stability of cooperation with core suppliers			
	Ability to resist supply chain risk intensity			
	Number of industry chain links covered by integration	30	1.5	
	Level of technology autonomy			
	Degree of impact of raw material cost fluctuations on gross profit margin			
	Comparison of cost proportion with the industry	20	4.0	
	Cost proportion vs industry comparison			
Number of alternative suppliers in reserve				
Quality of alternative suppliers	10	3.0		
Number of alternative suppliers in reserve				
Quality of alternative suppliers				
Bargaining Power of Buyers	Sales change after price adjustment of different product lines	35	4.5	4.1
	User retention under low-priced product impact	30	4.0	
	Proportion of B-end customer procurement scale			
	Ability to maintain profit margin during negotiation	20	3.5	
	Number of sales channel types			
	Distribution balance of sales in each channel			
Consumers' willingness to pay extra for brands	15	2.0		
Market acceptance of premium space for high-end products				
Threat of New Entrants	Comparison of capital investment scale with the industry and capital payback period	30	1.5	2.2
	Sustainability of investment supported by financing capacity	30	1.8	
	Level of core technology autonomy			
	Reserve of R&D personnel and efficiency of technology achievement transformation			
	Channel coverage	25	2.5	
	Dealer cooperation years			
	Channel management efficiency (e.g., inventory turnover rate)	15	3.0	
Enterprise compliance with national policies				
Responsiveness to policy changes and ability to resist policy risks				
Threat of Substitute Products	Market penetration rate of substitute products	40	2.5	3.3
	Uniqueness of Midea's product functions	30	4.0	
	Market share proportion of cross-border technology products			
	Cooperation or competitive relationship between Midea and technology enterprises			
	Smart ecosystem compatibility and user stickiness	20	3.5	
	Market share growth rate of high-end brands in various categories			
Market scale growth rate of emerging product categories	10	4.5		
Launch speed of Midea's new products, market fit, and demand shrinkage degree of traditional product categories				

1	2	3	4	5
Intensity of Rivalry Among Existing Competit ors	Market share distribution of major competitors			4.4
	Industry integration trend and impact strength of emerging enterprises	25	4.5	
	Gross profit margin fluctuation range	30	5.0	
	Correlation between market share fluctuation and price fluctuation			
	Core technology update cycle and number of patent authorizations	25	4.0	
	Regional market expansion and risk resistance ability	20	4.0	
International supply chain risk resistance ability and cross-cultural management level				

Source: Midea official website, Snowball website

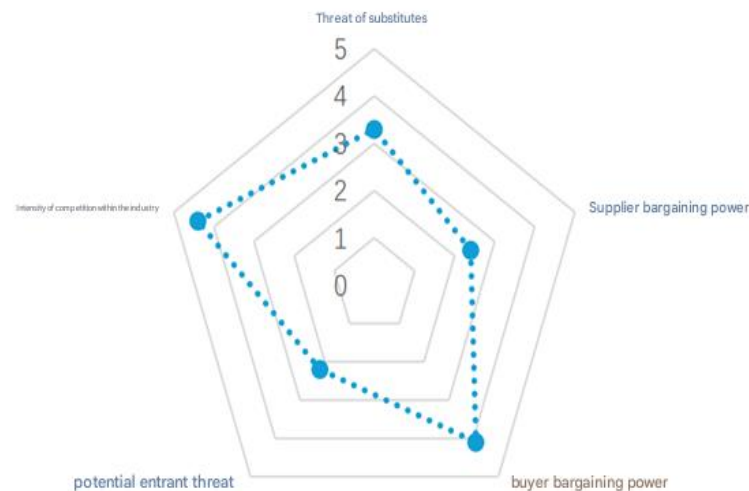


Figure 2.9 - Porter's Five Forces Analysis Radar Chart

Source: Midea official website, Snowball website

Through the analysis of Table 2.7 and Figure 2.9, combined with radar table scores and weight design, Midea Group's Porter Five Forces pattern presents a differentiated feature of "two highs, two lows, and one middle", which deeply reflects its industry competition situation and its own advantages and disadvantages: in the dimension of supplier bargaining power (2.4 points), the low score is due to the dispersion of upstream suppliers, Midea reducing dependence through large-scale procurement and self-developed core components, and using futures to hedge the risk of raw material price fluctuations, occupying a dominant position in the industry chain, only facing slight gross profit pressure in extreme raw material price increases. The bargaining power of buyers (4.1 points) is high, mainly due to the

homogenization of the home appliance market and the amplification of consumer price sensitivity through online e-commerce promotions. Although Midea's brand market share is leading, price competition in the mid to low end market still weakens its premium ability, and high-end brand COLMO has not completely broken through the bottleneck of user payment willingness. The threat of potential entrants (2.2 points) is the lowest, thanks to the industry's heavy asset attributes and the triple barriers built by Midea: billions of yuan in capital are needed to invest in channels and research and development, over 1 billion yuan in annual R&D investment and global leading patents are needed for technology, 14000 sales personnel have achieved deep control at the channel level, and only technology companies such as Huawei and Xiaomi have formed local impacts relying on intelligent ecosystems. The threat of substitutes (3.3 points) is in the moderate range. On the one hand, new categories such as robotic vacuum cleaners divert demand, and on the other hand, Midea reduces the risk of single category substitution by forming a hedge through cross-border ecological cooperation and full category layout with Huawei and Xiaomi. The industry has the highest score in terms of competition intensity (4.4 points), reflecting the intense stock game between CR3 and Gree and Haier in over 60% of the concentrated market, coupled with international brand competition faced by overseas market expansion, and price wars leading to pressure on gross profit margins. It is necessary to rely on technological upgrades and high-end transformation to break through the predicament.

CHAPTER 3

PROBLEMS, OPTIMIZATION PLANS, AND GUARANTEE MEASURES OF MIDEA GROUP'S DIFFERENTIATION STRATEGY

3.1. Problems with Midea Group's differentiation strategy

The problem of hierarchical redundancy in Midea Group's channel system has formed a structural contradiction, with excessive layering leading to transmission blockages in the channel network. The current channel hierarchy usually includes multiple layers of nodes such as general agents, provincial agents, regional distributors, retailers, etc. The blurred boundaries of rights and responsibilities between levels significantly reduce the efficiency of information transmission. When market demand changes, feedback from the end market needs to go through multiple levels of transmission to reach the decision-making level, leading to increased decision-making lag and the inability to achieve agile response in the supply chain. Excessive hierarchy can also lead to imbalanced resource allocation. Middle and high-level agents often exert unreasonable pressure on lower level channels to maintain their profit margins, resulting in inventory backlog and difficulties in capital turnover.

There is a serious homogenization tendency in the differentiated positioning between channel levels, and the overlapping functions of agents at each level lead to internal friction in channel competition. There is a lack of clear functional differentiation between provincial agents and regional distributors in terms of service radius, distribution capabilities, terminal maintenance, etc. Some regional markets even have the phenomenon of the same agent operating across levels. This ambiguity in positioning directly triggers channel conflicts, and some distributors, in order to break through sales bottlenecks, dump products at low prices into unauthorized regions, resulting in cross regional smuggling.

The lag of channel control mechanisms further amplifies hierarchical contradictions. The current channel management system has regulatory blind spots in key aspects such as qualification review of agents and monitoring of sales flow. The insufficient application of RFID tracking technology and digital platforms makes it difficult to trace the origin of counterfeit goods. The price control system, on the other hand, creates a "barrier lake effect" due to the excessive hierarchy. Upstream price adjustment policies are gradually diluted during the transmission process, while terminal prices experience irrational fluctuations due to competitive pressure, ultimately forming a vicious cycle of "upward pressure and downward squeeze". This imbalance in channel ecology not only weakens the stability of the brand pricing system, but also leads to consumer risks such as difficulty in distinguishing product authenticity and inconsistent service standards for end consumers, resulting in hidden damage to the corporate brand image.

The superposition effect of hierarchical redundancy and positioning overlap leads to a geometric increase in the operating costs of channel networks. According to calculations, a multi-layered distribution system increases the average circulation cost of a single product, and for every additional level of channel hierarchy, the logistics turnover cycle is extended by about 15 days. This inefficient channel structure has become increasingly prominent in the context of e-commerce impact and new retail transformation, which not only restricts the response speed of channels, but also weakens the ability of end markets to capture changes in consumer demand, ultimately leading to a structural decline in the competitiveness of enterprises in the market. As shown in Figure 3.1, from January to November 2024, the omnichannel consumer confidence index of China's home appliance market (excluding 3C) showed a fluctuating decline. These situations indicate that the problem of channel redundancy and overlapping positioning of Midea Group has evolved into a core weakness in the wave of e-commerce and new retail transformation. It not only increases circulation costs and delays logistics efficiency, but also makes it difficult for it to quickly respond to the fluctuating decline in home appliance consumer confidence and market demand. If the channel structure is not

optimized in a timely manner, it will further exacerbate the structural decline of market competitiveness and affect its growth resilience during the industry adjustment period.

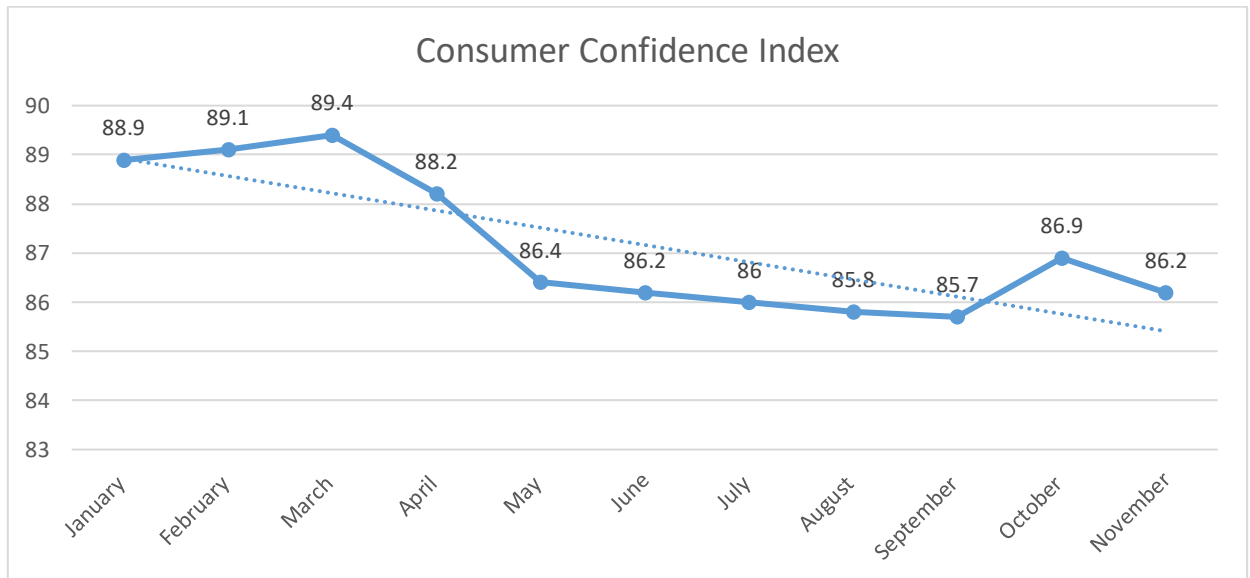


Figure 3.1 - From January to November 2024, China's household appliance market (excluding 3C) omnichannel consumer confidence index

Source: Aowei Cloud Network, Guanyan Tianxia Compilation

(2) Inventory efficiency and inventory management issues

Although Midea Group attempts to integrate channel inventory resources through the "one inventory" model, it still faces significant inventory efficiency issues in actual operations. In terms of channel hierarchy, the redundant links in the traditional distribution system continue to hinder inventory turnover efficiency. Although this model theoretically achieves inventory sharing between manufacturers and distributors, in actual implementation, there are still phenomena of delayed information transmission and inventory response in intermediate links such as regional distributors and agents. When market demand fluctuates, it is difficult to achieve dynamic synchronization of inventory data at all levels, resulting in uneven distribution of inventory between regional markets. Some best-selling products experience regional stockouts, while unsold products form inventory piles in specific regions.

The insufficient level of refinement in inventory management further exacerbates efficiency losses. The existing inventory management system has not yet achieved deep integration of omnichannel data, resulting in a lag in the perception of end consumer demand by enterprises. Especially in the stage of new product launch, due to the lack of accurate prediction models based on regional market characteristics, enterprises often adopt standardized stocking strategies, ignoring the differences in consumption preferences and seasonal fluctuations in different regions. For example, in the sales of seasonal products such as air conditioners, companies have failed to dynamically adjust regional stocking levels based on climate differences, resulting in inventory backlog in the southern market and supply shortages in the northern market. As shown in Table 3.1, although Midea Group's inventory turnover rate has been higher than that of Gree Electric and Haier Smart Home in recent years, its extensive inventory management strategy has led to an overall downward trend in inventory turnover rate over the past five years. In addition, Midea Group's inventory to total assets ratio in 2024 was 10.48%, slightly higher than 9.74% at the beginning of 2024. Although Midea Group still outperforms its main competitors in inventory turnover efficiency, the level of refinement in inventory management is insufficient, and the inventory scale is showing a trend of expansion. Further optimization of inventory structure and management strategies is needed to cope with the inventory pressure brought by market changes and improve asset operation efficiency.

Table 3.1 - Comparison Table of Inventory Turnover Rate of Midea Group

Inventory Turnover Rate (times/year)	2020	2021	2022	2023	2024
Gree Electric	4.774	3.958	3.357	3.956	4.312
Midea Group	6.495	6.294	5.196	5.424	5.068
Haier Smart Home	5.054	4.46	4.074	4.869	4.918
TCL Smart Home	8.774	9.902	8.699	8.314	8.53

Source: Annual Reports of Each Company, East Money, Tongda Shun

The deviation in market forecasts for new products is a key factor leading to structural imbalances in inventory. Although companies have established market forecasting models, their algorithms still overly rely on historical sales data and fail to effectively incorporate external variables such as macroeconomic fluctuations and competitor strategy adjustments. In the promotion of intelligent home appliances, the failure to accurately predict differences in consumer acceptance has led to inventory stagnation of some cutting-edge technology products, while traditional functional products have experienced temporary shortages due to insufficient forecasting.

The chain reaction caused by inefficient inventory management has formed multiple constraints on the development of enterprises. On the one hand, excessive inventory holding costs erode the profit margin of enterprises; On the other hand, regional stock shortages have led to increased bargaining power among channel partners, forcing companies to frequently adopt price discount strategies to maintain market share and further compress profit margins. What is even more serious is that the persistent inventory problem is weakening the brand experience of end consumers. Customer complaint data shows that the number of customer complaints caused by delivery delays and model shortages has increased significantly. As shown in Table 3.2, searching for the keyword "Midea" on the "Black Cat" complaint platform resulted in 45886 related complaints, of which 6859 were related to "delayed delivery" or "non delivery", and 368 were related to "out of stock" complaints. It directly affects the construction of brand loyalty. These issues indicate that the inefficient inventory management of Midea Group has formed a vicious cycle of "high cost enterprise profit compression brand damage". If not systematically optimized, it will continue to hinder its profitability improvement and brand value shaping. It is urgent to break through from inventory structure optimization, supply chain collaboration, and channel response efficiency to achieve the transformation of inventory management from "extensive turnover" to "fine and efficient".

Table 3.2 - Complaints Related to Midea Group on "Black Cat" Platform

Search Term	"Midea"	"Midea Delivery"	"Midea Out of Stock"
Number of Complaints (Piece)	45,886	6,859	368

Source: Black Cat Complaint Platform

(3) Channel operation and market competitiveness issues

Against the backdrop of increasingly fierce competition in the home appliance market, the structural deficiencies in Midea Group's channel operation system have significantly constrained its ability to enhance market competitiveness. Firstly, the complexity of the multi-level distribution system leads to low efficiency in channel information transmission, and there is a serious lag in demand information between enterprises and end consumers. In the traditional channel model, products need to go through multiple intermediate links such as agents, distributors, and retailers from the production base to the end consumers. The feedback of each level of information needs to be transmitted step by step, which makes it difficult to quickly capture changes in market demand. The lag of this information transmission mechanism often leads to problems such as delayed product structure adjustment and slow response of marketing strategies when facing sudden fluctuations in consumer demand or market competition, weakening the agility of market response. For example, when the demand for online consumption surges, enterprises fail to adjust the allocation of online and offline channel resources in a timely manner, resulting in regional shortages of some hot selling products, while unsold products accumulate in warehouses, further exacerbating resource misallocation.

The low efficiency of inventory management has become a key bottleneck restricting channel operations. Although Midea Group has established a nationwide warehousing and logistics network, the excessive number of channel levels has led to the inability to achieve full process visualization of inventory data, and the phenomenon of isolated inventory information in each link is prominent. In the distribution process, agents and regional distributors have strong autonomy in inventory management, making it difficult for the headquarters to grasp the dynamic

balance between terminal sales and inventory in real time. This decentralized inventory management model directly triggers two major problems: on the one hand, best-selling products are out of stock in local markets due to insufficient supply chain coordination, forcing consumers to turn to competitors; On the other hand, unsold goods, due to the lack of accurate market demand forecasting, occupy storage resources for a long time and generate high maintenance costs. Statistics show that in recent years, Midea Group's inventory turnover days have continued to exceed the industry average, with unsold inventory in some categories accounting for over 15%. This structural imbalance significantly reduces the efficiency of channel capital turnover.

The insufficient efficiency of channel operation further weakens the market competitiveness of enterprises. In the home appliance market where product homogenization is severe, channel response speed and terminal service capability have become the core elements of enterprise competition. Due to the slow transmission of channel information, Midea Group finds it difficult to quickly adjust its distribution strategy during promotional seasons or new product launches, resulting in lower display efficiency and timely replenishment of terminal retail outlets compared to competitors. At the same time, the shortage problem caused by inventory management deficiencies directly affects the end customer experience, and consumers gradually turn to brands with faster channel response and better service after encountering multiple purchase obstacles. In addition, the lengthy channel chain increases operating costs, forcing companies to pass on some of their costs to the terminal selling price, weakening price competitiveness. The combination of multiple factors has led to slow progress in Midea Group's high-end product line layout and emerging channel expansion, resulting in sustained market share compression. If the channel operation mechanism is not systematically optimized, the implementation effect of its differentiation strategy will be difficult to achieve the expected goals. The imbalance of product structure is an important factor. As shown in Tables 3.2 and 3.3, according to data from OviCloud, the average price of Midea air conditioners is only 3658 yuan, significantly lower than Gree's

4256 yuan and Haier's 3821 yuan. More noteworthy is that in the low-end market below 3000 yuan, Midea accounts for as much as 34%, while Gree only has 11%. The layout leans towards the mid to low end and lacks high-end competitors.

Table 3.2 - Average Price of Air Conditioners from Some Brands on Online Channels Since 2024

Channel	Brand	Average Price (Yuan)	Year-on-Year Change
Online	Mitsubishi Electric	7397	4.12%
Online	Casarte	7274	17.55%
Online	Daikin	6628	8.59%
Online	Panasonic	4689	0.02%
Online	Gree	3481	-2.94%
Online	Midea	3241	1.15%
Online	Haier	3044	-3.79%
Online	Hisense	2706	-3.00%
Online	Little Superman	2701	2.12%
Online	Hualing	2332	-9.91%

Source: Aowei Compass (Data Period: January 1, 2024 to June 30, 2024)

Table 3.2 - Average Price of Air Conditioners from Some Brands on Offline Channels Since 2024

Channel	Brand	Average Price (Yuan)	Year-on-Year Change
Offline	Mitsubishi Electric	7426	2.58%
Offline	COLMO	7402	-21.27%
Offline	Daikin	6498	1.59%
Offline	Casarte	6191	-6.84%
Offline	Mitsubishi Heavy Industries	5247	-0.41%
Offline	Fujitsu	4903	5.00%
Offline	Panasonic	4821	4.52%
Offline	Gree	4601	-1.22%
Offline	Midea	4190	-2.94%
Offline	Hisense	3846	1.57%

Source: Aowei Compass (Data Period: January 1, 2024 to June 30, 2024)

3.2 Design of Midea Group's Differentiation Strategy Optimization Plan

Sales hierarchy and differentiated design optimization

In response to the problems of redundant sales hierarchy and insufficient differentiated design in Midea Group's channel system, it is necessary to

systematically optimize and reconstruct the channel value chain. In terms of optimizing sales hierarchy, it is recommended to adopt a channel flattening strategy, gradually reduce the number of secondary distributors, and compress the original three-tier distribution system into a two-tier structure with headquarters core agents terminal outlets as the main body. This can effectively reduce channel costs, improve information transmission efficiency, and achieve real-time monitoring of terminal sales data by establishing a digital channel management system. To ensure channel coverage, we should focus on strengthening strategic cooperation with large retail terminals such as Suning and Gome, while deepening the direct supply model with e-commerce platforms such as JD.com and Tmall. Through the coordinated layout of online flagship stores and offline experience stores, we should build an O2O integrated channel network. In addition, grid based channel planning should be carried out based on regional market consumption characteristics, with a focus on developing community stores and township service outlets in third - and fourth tier cities, and enhancing market penetration depth through channel sinking strategies.

On this basis, it is necessary to strengthen the differentiated design capabilities of products and services. In response to the differentiated needs of consumer groups, it is recommended to construct a layered product matrix: launch the COLMO series equipped with intelligent IoT technology for the high-end market, and enhance product premium space through embedded scenario solutions; For the young consumer group oriented towards cost-effectiveness, we can continue the online sales brand strategy of "Midea Home" and develop modular and customizable smart home sets; For county-level markets, it is necessary to strengthen the channel exclusive product line of "Midea Township Specialty Stores" and provide standardized household appliances with high durability and easy maintenance (as shown in Tables 3.4) . In terms of service, differentiated after-sales support policies can be implemented for different channel levels, such as providing 24-hour fast installation services for e-commerce platform orders, and providing a complete set of smart home system solutions for engineering procurement customers.

Table 3.4 - Product Matrix by Consumer Segment Layering

Market Segment	Product Series / Brand	Core Product Features	Channel Matching Scenarios	Differentiated Service Support Policies
1	2	3	4	5
High-end Market	COLMO Series	1. Integrates full-scenario smart IoT technology (supports Mijia, HomeKit cross-platform interconnection); 2. Embedded scene solution (e.g., smart kitchen, whole-house climate control); 3. High-end materials and customized design (e.g., microcrystalline glass panels, personalized color schemes); 4. High-value attribute (average order value ~20,000 yuan, focusing on high-end homes and refined decoration markets).	1. Offline high-end experience stores (e.g., North Star Hall for smart home experience); 2. Engineering channels (cooperation with real estate developers for whole-house smart projects); 3. Private channels (high-net-worth customers, one-on-one consultation).	1. Provide "scenario-based design - installation - operation and maintenance" full-cycle services; 2. Engineering procurement customers are equipped with full-set smart home system debugging and training; 3. Exclusive after-sales team (response within 48 hours, on-site problem-solving).
Cost-effective & Youth Market	"Midea to Home" and Internet Explosions	1. Modular design (supports single-product combination, e.g., air conditioner + purifier + smart humidifier, etc.); 2. Customizable functions (e.g., APP personalized control interface, scene mode definition); 3. High-cost-performance positioning (average order value 1,000-3,000 yuan, suitable for young groups with budget constraints); 4. Light intelligent functions (basic remote control, energy monitoring, reducing operational complexity).	1. Mainstream e-commerce platforms (JD, Tmall Flagship Stores); 2. Emerging e-commerce channels (Douyin, Kuaishou "Smart Life Experience Room" live broadcast rooms); 3. User communities (Z and millennial groups for new product trials).	1. E-commerce platforms provide 24-hour ultra-fast installation services (response within 48 hours in remote areas); 2. Free APP usage tutorials and scene configuration guidance; 3. Support 7-day no-reason return + 1-year extended warranty (need online registration).

1	2	3	4	5
Sinking Market	Midea Township Exclusive Store Models	1. High durability design (e.g., reinforced body material, adapted to rural power grids and wide voltage range); 2. Easy maintenance features (simplified internal structure, supporting quick repairs by township service points); 3. Standardized functions (focusing on core needs, e.g., large-capacity refrigerators, strong cooling air conditioners, reducing redundant functions); 4. High adaptability (suitable for rural house types, e.g., miniaturized sockets, vertical air conditioners).	1. Midea Township Specialty Stores (county-level core stores); 2. County distributors (cooperation with Suning Cloud Store, Tianmao under unified distribution); 3. Rural temporary experience points (seasonal promotion activities).	1. Township service points provide "on-site inspection + on-site repair" dual-mode support (response within 24 hours); 2. Provide product user manuals (text + video) and regular maintenance reminders; 3. For old home appliance replacement, launch "old-for-new + new machine installation" integrated services.

Source: Research Compilation

The deepening of differentiated design requires the formation of synergistic effects with channel strategies. Suggest establishing a market demand forecasting model based on big data, dynamically adjusting product line layout by analyzing user behavior data on e-commerce platforms and offline store sales data. For example, in response to the preferences of young online users, small batch and high-frequency co branded products can be designed; For the regional needs of offline channels, customized products with local features can be developed. At the same time, it is necessary to reconstruct the channel incentive mechanism, implement differentiated rebate policies for agents, set sales targets and service standards based on the consumption characteristics of their regions, and promote precise operation of the channel network through interest binding. This three in one optimization model of "channel product service" can not only reduce the value loss caused by intermediate links, but also improve the brand's market response speed through

precise outreach, ultimately achieving a dual improvement of channel efficiency and consumer value.

(2) Inventory efficiency and inventory management optimization

In the process of implementing channel differentiation strategy, Midea Group's insufficient inventory efficiency and limited refinement of inventory management have become key bottlenecks restricting its supply chain collaboration and market response capabilities. In response to this situation, optimization plans should be systematically improved from three dimensions: improving inventory efficiency, restructuring inventory management processes, and empowering technology. In terms of improving inventory efficiency, it is recommended to establish a unified "one inventory" management model for all channels, and achieve real-time sharing and dynamic allocation of inventory data between online and offline channels through a digital platform. This model can not only eliminate inventory redundancy in traditional multi-level distribution systems, but also accurately predict market demand in various regions through intelligent algorithms, effectively reducing duplicate reserves between regional warehouses and pre warehouses. At the same time, it is necessary to strengthen the JIT (Just In Time) collaboration mechanism with core suppliers, and deeply integrate production plans with terminal sales data through VMI (Vendor Managed Inventory) mode, so that raw material procurement and finished product inventory are always in the optimal configuration state. The data shows that adopting JIT mode can increase the inventory turnover rate of enterprises by more than 25%, which has significant value for the home appliance industry, which has a shorter iteration cycle for products.

In terms of optimizing inventory management, it is necessary to establish a standardized management system that covers the entire chain of procurement, warehousing, and distribution. Specifically, a differentiated inventory classification strategy should be developed to implement graded management of fast-moving consumer goods, unsold goods, and new products based on product lifecycle characteristics, avoiding the use of a "one size fits all" inventory control standard. By deploying IoT sensors and RFID technology, automated collection and real-time

monitoring of inventory data can be achieved, ensuring a stable match rate of over 98% between accounts and reality. On this basis, an intelligent prediction model based on machine learning is constructed, which incorporates multiple factors such as historical sales data, market trends, and seasonal fluctuations into the algorithm system, significantly improving the accuracy of demand forecasting. In response to the frequent iteration of new products in the home appliance industry, it is recommended to establish a feedback mechanism for new product trial sales data. Through small-scale distribution and regional pilot projects, market demand can be quickly verified before large-scale deployment, effectively avoiding inventory backlog risks caused by prediction bias.

To strengthen inventory risk prevention and control, a three-level warning response system should be established. The first level warning focuses on abnormal fluctuations in inventory turnover days, triggering system alerts when the indicator deviates from the benchmark value by more than 10%; The second level warning monitors the period of unsold products, and initiates promotion or allocation plans for products that have been unsold for more than 90 days; The third level warning is for supply chain emergencies, such as logistics disruptions or sudden increases in regional demand, and an emergency dispatch plan must be generated within 1 hour. In addition, it is necessary to improve cross departmental collaboration mechanisms, break down data barriers in sales, logistics, finance, and other departments, regularly hold inventory coordination meetings, and ensure dynamic coordination between inventory management strategies, marketing policies, and production capacity plans. Through the systematic implementation of the above measures, Midea Group can improve inventory turnover efficiency to industry-leading levels, while significantly reducing warehousing costs and capital occupation pressure, providing solid operational support for the deepening implementation of channel differentiation strategies.

(3) Channel operation and optimization of market competitiveness enhancement

In order to improve channel operation efficiency and market competitiveness, Midea Group needs to systematically restructure channel collaboration mechanisms, innovate marketing models, and optimize customer service systems. In terms of channel collaboration optimization, it is necessary to integrate online and offline data resources through digital platforms and establish a multi-channel information sharing mechanism to eliminate information silos. For example, by integrating ERP systems with e-commerce platforms, real-time synchronization of inventory, price, and user behavior data can be achieved to achieve dynamic resource allocation. The O2O model can adopt a closed-loop design of "online drainage offline experience two-way transaction", such as the linkage between online virtual exhibition halls and offline experience stores, which not only reduces the risk of channel conflicts, but also enhances user stickiness through scenario based marketing. At the same time, it is necessary to establish a unified membership management system, connect online and offline points, coupons, and after-sales service rights, and enhance customer lifecycle value through cross channel consumption incentives.

To innovate marketing models, it is necessary to construct a three-dimensional marketing matrix of "social media+content+reputation". In the field of social media, short videos, live broadcasts and other lightweight content should be accurately launched based on user portraits, and scenario based product demonstrations should be conducted with the help of KOL platforms such as Tiktok and Xiaohongshu to strengthen the brand awareness of young consumers. In terms of content marketing, in-depth content such as technical analysis images and texts, user use scenarios and stories can be planned to achieve dual transmission of professionalism and emotional resonance through WeChat official account and professional forums. Word of mouth marketing requires the establishment of a user evaluation system and a social fission mechanism, such as encouraging users to generate UGC content through product experience officer programs, combined with a recommendation reward system to form a communication loop, and reducing customer acquisition costs through social trust.

The construction of customer service system should revolve around the entire process of "response solution prevention". Firstly, establish a hierarchical response mechanism between an intelligent customer service system and manual services, utilizing AI technology to provide instant answers to common questions, and cross departmental collaborative processing of complex issues through a work order system. At the same time, it is necessary to improve the service standard process, such as standardized operation manuals for offline services such as installation and maintenance, to ensure consistency in service quality. In terms of personnel management, regular skill training should be conducted to enhance technical capabilities, and brand value recognition courses should be embedded to strengthen service culture identity. In addition, a real-time monitoring system for customer satisfaction is introduced, which dynamically evaluates through indicators such as NPS (Net Promoter Score) and combines big data analysis to locate service pain points, forming a continuous optimization service improvement mechanism.

Through the systematic implementation of the above measures, Midea Group can achieve intensive allocation of channel resources and build differentiated scenario based service capabilities. Specifically, channel collaboration will reduce operating costs and improve conversion efficiency. Innovative marketing models can break through the traffic ceiling of traditional channels, while the improvement of service quality forms a competitive barrier. Under the synergistic effect of the three, enterprises can not only enhance their ability to respond quickly to consumer demand, but also achieve continuous optimization of resource input-output ratio through data-driven precision operations, ultimately establishing sustainable competitive advantages in the channel transformation of the home appliance industry.

3.3 Implementation guarantee of Midea Group's differentiation strategy optimization plan

Organizational structure and personnel support

To ensure the effective implementation of the channel differentiation strategy optimization plan, Midea Group needs to establish a strategic implementation guarantee system through systematic organizational restructuring and specialized human resource allocation. At the organizational level, it is recommended to adopt a matrix management model to reconstruct the existing structure, establish a channel optimization strategy committee directly led by the senior management, and set up a cross functional execution team. The committee needs to integrate the core members of the marketing department, sales department, supply chain management center, and digital innovation committee to form a three-level management system for strategic decision-making, execution monitoring, and feedback optimization. The committee needs to clarify the mechanism for decomposing strategic objectives, incorporate channel optimization indicators into the KPI assessment system of various functional departments, and ensure that strategic execution matches the dynamic market environment through monthly strategic review meetings.

In terms of personnel configuration, it is necessary to build a specialized and composite team. The channel optimization execution team should be composed of backbone personnel with professional backgrounds in channel management, digital marketing, and supply chain optimization, including no less than 30% of digital technology talents. It is recommended to focus on introducing composite talents who are familiar with the operation of new retail channels and have data analysis capabilities through a combination of internal competition and external recruitment. For the existing workforce, it is necessary to establish a hierarchical training system: provide strategic management and cross departmental collaboration training for middle and senior management personnel; Provide specialized training on channel differentiation strategies for frontline sales personnel; Strengthen the operation training of data analysis tools and supply chain collaboration platform for the technical team. At the same time, it is necessary to establish a talent reserve mechanism and cultivate a composite talent pool with multi departmental collaboration experience through a rotation system.

To enhance cross departmental collaboration efficiency, it is necessary to establish a normalized communication mechanism. It is suggested to establish a special work meeting system for channel optimization on the basis of existing processes, requiring department heads such as marketing, sales, logistics, and finance to participate in weekly progress reports on strategic execution, and establish a fast response channel for cross departmental issues. Project progress visualization can be achieved through a digital management platform, and project management software can be used to track the execution status of each link in real time. In addition, it is necessary to improve the cross departmental performance evaluation system, incorporate collaborative contribution into departmental KPI evaluation indicators, implement joint incentive mechanisms for cross departmental collaborative projects, and form a collaborative ecosystem with equal rights and responsibilities and shared benefits.

In terms of personnel management, it is necessary to implement incentive and restraint mechanisms. Establish a performance evaluation system linked to channel optimization effectiveness, and implement an excess profit sharing plan for teams that achieve differentiation strategic goals. For key position talents, dual career development channels can be designed to plan promotion paths for technical and management talents respectively. At the same time, it is necessary to improve the exit mechanism, implement differentiated training or job adjustments for personnel who cannot adapt to the new strategic requirements, and ensure the continuous improvement of the overall effectiveness of the team. By establishing a talent capability assessment model, regularly conducting job competency assessments, and dynamically optimizing personnel structure.

Digital capability building is an important support for organizational security. It is necessary to rely on the existing industrial Internet platform, build digital signage for channel differentiation strategy implementation, integrate CRM system, ERP system and logistics management system data, and realize real-time monitoring of channel operation data. By deploying AI driven decision support systems, assist management in dynamically configuring channel resources. At the same time, it is

necessary to establish a data security management system to ensure information security during cross departmental data sharing, providing technical support for the efficient operation of organizational structure. Through the synergistic effect of organizational restructuring and personnel capability improvement, a long-term mechanism for strategic execution is established, laying a solid foundation for the continuous optimization of channel differentiation strategy.

(2) Financial and resource guarantee

To ensure the effective implementation of the channel differentiation strategy optimization plan, Midea Group needs to establish a systematic funding and resource guarantee system, and achieve precise resource allocation and efficient integration through strategic level resource allocation mechanisms. In terms of financial security, a special budget management system should be established to increase the proportion of research and development investment to over 4% of revenue, with a focus on supporting the development of core technologies for smart home appliances and digital channel tools. By establishing a strategic investment committee to dynamically evaluate R&D investment, we ensure that funds are directed towards key areas such as IoT technology, artificial intelligence algorithms, and scenario based solutions, thereby strengthening the support of product innovation for channel differentiation.

The allocation of production resources should follow the principle of lean management of the whole value chain, and realize the digital reconstruction of production processes through the industrial Internet platform. Specifically, the transformation of flexible production lines should be promoted, combining modular design with rapid changeover technology to enable the production system to flexibly adapt to customized needs of different channels. At the same time, building a supply chain collaboration mechanism, using big data to predict market demand fluctuations, dynamically adjusting raw material procurement and inventory management strategies, and shortening the supply chain response cycle to within 80% of the industry average. This resource allocation model can not only reduce unit

production costs, but also improve the market response efficiency of channels through rapid delivery capabilities.

The optimization of logistics system should focus on the construction of smart logistics system and the improvement of regional warehouse distribution network. We need to increase investment in automated warehousing equipment and intelligent scheduling systems, establish a three-level distributed warehousing system covering the whole country, and control the delivery time in core areas within 24 hours. By introducing blockchain technology to achieve full chain visualization of logistics information and establishing a data sharing platform with third-party logistics service providers, transportation losses caused by information asymmetry can be reduced. In addition, differentiated logistics service solutions are designed for different channel characteristics, such as providing a combination of "pre warehouse+instant delivery" services for offline experience stores, effectively improving the terminal delivery experience.

The integration of external resources requires a dual track strategy of "strategic synergy+ecological co construction". On the one hand, through equity cooperation or strategic alliances, we establish deep cooperation with e-commerce platforms, home decoration companies, and IoT service providers to share user data resources and channel networks, and jointly develop scenario based solutions. On the other hand, building a supplier collaborative innovation platform, incorporating key component suppliers into the early stages of research and development, and shortening product iteration cycles through joint development. At the same time, industrial investment funds can be introduced to incubate potential projects, reducing the financial pressure caused by single channel expansion. This open resource integration model can not only reduce operating costs, but also strengthen channel differentiation advantages through ecological synergy effects.

To ensure the sustainability of resource investment, Midea Group needs to establish a dynamic resource assessment and adjustment mechanism. By setting core indicators such as R&D input-output ratio and supply chain efficiency index, regularly evaluating the effectiveness of resource allocation, and reallocating

resources in conjunction with changes in the market environment. At the same time, we will improve cross departmental resource coordination mechanisms, break down traditional organizational barriers, and ensure that financial, production, sales, and other links form a joint force for resource security. This systematic resource management framework can provide a solid foundation for the continuous optimization of channel differentiation strategy, ultimately achieving precise matching between resource investment and strategic goals.

(3) Supervision and evaluation guarantee

To ensure the effective implementation of the channel differentiation strategy optimization plan, Midea Group needs to establish a scientific supervision and evaluation system to ensure the quality of strategic execution. The supervision mechanism should run through the entire process of strategic implementation, forming a closed-loop management through phased goal decomposition, node control, and dynamic feedback. Firstly, it is necessary to develop a detailed implementation plan, clarify the core tasks, time nodes, and responsible departments of each stage of strategic optimization, and establish a multi-level goal decomposition system. For example, breaking down key tasks such as channel resource integration and digital platform construction into quantifiable sub goals, and developing monthly and quarterly rolling plans to ensure that the pace of strategic advancement is controllable.

In terms of building an evaluation system, it is necessary to establish a regular reporting and phased evaluation system. It is recommended to adopt a three-level reporting mechanism: front-line business units submit weekly progress reports, regional management teams hold monthly strategic review meetings, and the headquarters strategic committee organizes quarterly thematic evaluations. The evaluation content should cover core indicators such as goal achievement, resource input-output ratio, and channel collaboration efficiency. At the same time, the balanced scorecard method should be introduced to comprehensively evaluate from four dimensions: finance, customers, internal processes, and learning and growth. To enhance the objectivity of evaluation data, it is necessary to establish a unified

data collection platform that integrates multiple sources of data such as ERP systems, channel sales data, and customer feedback systems, and monitors key indicator fluctuations in real-time through digital dashboards.

The dynamic adjustment mechanism is a key component of the supervision and evaluation system. The evaluation results need to be continuously optimized through the PDCA cycle: after discovering problems such as uneven channel coverage and resource mismatch during the evaluation stage (Check), the improvement plan (Act) should be immediately initiated, and the adjustment plan should be clarified through a special rectification meeting. For example, if it is found that the conflict between online and offline channels in a certain area has intensified, it is necessary to complete the formulation and deployment of a channel positioning adjustment plan within two weeks after evaluation. At the same time, establish a rapid response mechanism, set up strategic flexibility space for external variables such as market environment changes or competitive strategy adjustments, and allow emergency plans to be activated outside the evaluation period.

Internal supervision needs to strengthen the independence of the audit department, establish a cross departmental strategic supervision team, regularly verify execution deviations, and issue audit reports. External supervision can be conducted through the introduction of third-party professional organizations to conduct independent evaluations, with a focus on reviewing the compliance, cost-effectiveness, and market fit of channel strategies. In terms of compliance assurance, a risk warning mechanism should be established, and special audits should be conducted on high-risk areas such as channel price control and data security in accordance with national laws and regulations such as the Anti Unfair Competition Law and the E-commerce Management Regulations, to ensure that strategic implementation does not cross regulatory red lines.

The supervision and evaluation system, through the organic connection of target guidance, process control, and result feedback, can effectively solve problems such as execution gaps and feedback lag in channel management. It is necessary to establish a supporting incentive and restraint mechanism, linking the evaluation

results with departmental performance assessment and management personnel promotion, forming a virtuous cycle of "strategy execution evaluation improvement". This three-dimensional guarantee mechanism can not only improve the implementation efficiency of channel differentiation strategy, but also lay the foundation for Midea Group to build sustainable competitive advantages in complex market environments.

CONCLUSIONS

By systematically analyzing the implementation status of Midea Group's channel differentiation strategy, the triple core issues in channel system construction, inventory management, and market competition dimensions were revealed. At the level of sales hierarchy and differentiation design, the redundancy of existing channel architecture leads to a decrease in resource allocation efficiency, and the ambiguous positioning of online and offline channels weakens the market penetration of differentiation strategies. The synergistic effect of brand matrix has not yet been fully released. These issues directly lead to an increase in the operating costs of the channel network and a decrease in the response speed of the terminal market. Regarding inventory efficiency and inventory management, research has found that the information island effect under a multi-level distribution system exacerbates the risk of inventory backlog, and the insufficient level of intelligence in regional warehouse distribution systems further amplifies turnover bottlenecks, resulting in channel inventory turnover rates lower than industry benchmark enterprises. In terms of channel operation and market competitiveness, the differentiated design of channel incentive mechanisms has not fully stimulated the initiative of distributors, and the application of digital tools has not yet formed a complete channel data loop, resulting in significant shortcomings in the ability to capture market dynamics.

In response to the above issues, the optimization plan proposed in this study constructs a "trinity" improvement path. Firstly, by flattening the channel hierarchy and deploying digital empowerment tools, an intelligent prediction model based on terminal demand is established to achieve precise matching of differentiated positioning. Secondly, build a smart supply chain system driven by big data, optimize inventory visualization management using blockchain technology, and improve turnover efficiency through regional warehouse network collaboration and dynamic replenishment algorithms. Thirdly, design a hierarchical channel incentive mechanism, and combine it with the construction of a digital platform to connect the

entire channel data chain and build a market response system based on consumer behavior analysis. The implementation of these optimization measures requires support mechanisms such as organizational restructuring, talent capability upgrading, and performance evaluation system reform, especially through the establishment of cross departmental collaboration platforms and special supervision teams, to ensure the systematic promotion of strategic transformation.

Research has found that the optimization effectiveness of Midea Group's channel strategy will depend on the depth of digital transformation and the speed of organizational agility improvement. It is recommended that enterprises continue to strengthen the construction of data middleware, deepen technical cooperation with third-party platforms, and pay attention to the capacity building and interest binding of channel partners. From an industry perspective, this study provides a replicable optimization framework for the channel transformation of home appliance enterprises, but its effectiveness still needs to be verified in different market environments and competitive patterns. Future research can further focus on the impact mechanism of external policy changes on channel strategies, as well as the innovative path of channel models brought about by the iteration of intelligent technology, in order to provide more comprehensive theoretical support for the channel transformation and upgrading of manufacturing enterprises.

This study systematically analyzed the implementation status and existing problems of Midea Group's channel differentiation strategy, and proposed corresponding optimization paths and strategic suggestions. Although some progress has been made in the construction of theoretical frameworks, empirical analysis methods, and policy recommendations, there are still several limitations. Firstly, due to limitations in data acquisition channels and research cycles, some dynamic market environment variables have not undergone in-depth quantitative analysis; Secondly, the sample coverage of consumer behavior research needs to be expanded, and it has not fully covered the differentiated characteristics of sinking markets and emerging consumer groups; In addition, research on the specific implementation path of new technology applications still remains at the framework

level, lacking micro level exploration of the coupling mechanism between technology tools and channel strategies.

Future research can be further deepened from the following dimensions: firstly, innovative application research on channel management empowered by new technologies. With the iterative development of artificial intelligence, big data analysis, and Internet of Things technology, it is necessary to focus on exploring the precise prediction function of intelligent algorithms in channel network optimization and constructing a dynamic channel resource allocation model based on consumer profiles. Real time market volatility signals can be captured through machine learning technology, and a channel risk warning system can be established to achieve a transition from passive response to proactive prediction in management mode. Secondly, the systematic construction of consumer deep interaction mechanisms. We should break through the traditional one-way marketing model, build a multi-dimensional digital interactive platform, and establish a personalized service response system through social media data mining and user behavior tracking. We need to conduct in-depth research on the seamless connection path of omnichannel customer experience, especially in the areas of scenario based services, customized product push, and instant feedback processing, in order to build a value co creation ecosystem centered on consumers. Thirdly, research on strategic resilience in a dynamic competitive environment. The home appliance industry is facing dual challenges of intelligent transformation and intensified global competition. In the future, it is necessary to pay attention to the disruptive impact of technological iteration on channel structure and study the construction strategies of elastic channel networks. In addition, we should strengthen the exploration of cross industry ecological cooperation mode and build a more resilient channel ecosystem through strategic collaboration with Internet platforms, logistics service providers and third-party technology suppliers.

We should also pay attention to the integration path between sustainable development strategies and channel models, especially in the context of the "dual carbon" goal, how to build a green and low-carbon channel network system. It is

necessary to establish new channel evaluation indicators that include environmental cost accounting, circular logistics optimization, and energy efficiency management, in order to promote the organic unity of channel differentiation strategy and corporate social responsibility. With the continuous upgrading of consumer demand in the home appliance market and rapid changes in the external environment, Midea Group should continue to improve its closed-loop system of "technology research and development channel innovation value creation", and continuously optimize the adaptability and foresight of its channel strategy through the two-way interaction between academic research and business practice. Future research can use digital twin technology to build a virtual channel experimental platform, achieve simulation verification and iterative optimization of strategic plans, and provide more universal theoretical support and practical reference for channel transformation in the home appliance industry.

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APPENDIXES