ABSTRACT

A review of existing research reveals that in the more open and developed western market, the negotiation power of retailers has been getting bigger and bigger, to the extent that they are of an even higher power level than manufacturers today. With the rapid development of China economy, this trend of power shift seems to be happening in China also. As such, it is justified to investigate whether retailers are of higher negotiation power than manufacturers in China market today.

The objective of this case study, therefore, is to make an analysis of GREE air conditioner's distribution channel in China such that the situation of balance of power between manufacturers and retailers in China market today can be explored. It is because in the channel management of GREE air conditioner, vigorous negotiation with giant retail chain stores such as GOME Electrical Appliance is unavoidable. In particular, the channel conflict between these two giants happened in 2004 serves as a perfect demonstration of power struggling between manufacturers and retailers. Therefore, this case study will analyze the distribution channel of GREE air conditioner in which the GREE-GOME incident in 2004 is investigated. Since GREE air conditioner is big enough to be representative to the air conditioner industry in China, this study is able to make inference on whether the negotiation power has been shifted from manufacturers to retailers, at least with respect to the air conditioner market in China.

The thesis has five parts. First, it gives a brief introduction of manufacturer GREE, describes what the distribution channel structure of GREE is, and then discovers the relative position and relationship among GREE channel members. Second, GREE strategies in distribution channel are presented, which covers 1) sales year division, 2)

motivation programs, 3) channel pricing and 4) finance amplification and guarantee policy. Carrying out the channel strategies successfully, GREE has obtained strong power over retailers because of the high annual bonus and promotional allowances to retailers, and the high demand of its products. Third, retailer GOME's brief history, features and major profit sources are examined. Fourth, how important retailer GOME is to GREE and how important GREE is to retailer GOME are discussed. In particular, the GREE-GOME heated conflict in 2004 is analyzed. Finally, implications to managers are discussed and conclusions are drawn.