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BUSINESS

Appliance Business Cast Off by GE Thrives Under Chinese Ownership

Appliance maker bought by Haier Group in 2016 achieves its highest U.S. market share in at least a decade

By Austen Hufford | Photographs by Luke Sharrett for The Wall Street Journal
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LOUISVILLE, Ky.—When General Electric Co. agreed to sell its appliance unit to a Chinese manufacturer in 2016, the future wasn't clear for the business, its workers or the tens of millions of U.S. households owning GE GE **-2.09%** ▼ appliances.

Nearly six years later, GE Appliances is growing, having increased its U.S. market share every year since 2017. Since being bought by Qingdao, China-based Haier Group, GE Appliances has invested about $1.5 billion in technology and new products, and added about 3,000 jobs for a total U.S. workforce of 15,000. In October, the company announced an additional $450 million investment and 1,000 new jobs at its main Appliance Park campus in Louisville that makes washers, dryers, dishwashers and refrigerators.

The appliance maker's path after operating within GE's conglomerate structure is drawing new attention as GE prepares to separate its remaining businesses into three companies, focused on aviation, healthcare and power. GE executives say that separation will let managers better focus on their individual business lines, benefit customers and attract more investors.

An assembly line for clothes washers and dryers at GE Appliance Park. The new owners added about 3,000 jobs and are promising 1,000 more.

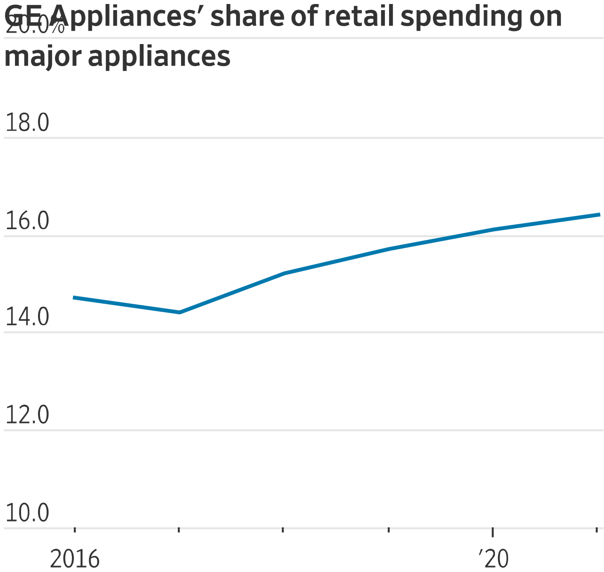
Kevin Nolan, GE Appliances' chief executive, said the move out from under GE to appliance maker Haier has improved his company's culture and decision making. It held 16.4% of the retail market for large appliances in the 12 months through September, its highest percentage in at least a decade, according to research firm TraQline.

"If you got a big, bureaucratic organization, there is no way you can move at the speed of the market," Mr. Nolan said. "You see a real winning spirit with the employees now."

GE Appliances' 2016 sale to Haier for $5.4 billion was years in the making. In 2008 GE said it intended to sell or spin off the appliance unit. But the plan was shelved as that year's financial crisis crashed the housing market, said Chip Blankenship, who started running GE Appliances in 2012 and left in 2017, about a year after the acquisition.

Mr. Blankenship said during his tenure he was charged with shepherding parts of a $1 billion investment from GE—spread out over several years—that included moving some production back to the U.S. Mr. Blankenship said he didn't anticipate getting another investment of that size for another decade.

"We would always be No. 12 on a list of nine things that could be funded" at GE, he said.



Note: Rolling four quarters through September of each year.
Source: TraQline

A GE spokeswoman pointed to announcements made at the time of the sale, saying it was part of an effort to make GE a simpler and more-focused industrial company, and that Haier was committed to investing in the business.

There was uncertainty among employees about GE's commitment to the appliance business in the years leading up to its sale.

Analysts say there are benefits to being a company with multiple distinct markets because the various business cycles might not overlap, allowing a growing part to buoy the broader company while another is declining. 3M Co. , for example, saw growth in its medical-grade face masks in 2020, which partially offset declines in other parts of its business.

The acquisition of a well-known U.S. brand by the Chinese company came against a backdrop of growing tensions between the two nations in such issues as trade, technology and human rights. Some Western organizations have faced backlashes and boycotts in China, while the U.S. government has barred domestic companies from investing in or exporting to certain Chinese companies.

GE Appliances executives said being part of a Chinese corporation hasn't hurt the brand. "I can't sit there or worry about impressions or political things that are going on," Mr. Nolan said.

Some employees said the years between the financial crisis and the unit's sale felt uncertain because they didn't know whether GE was committed to its appliance business. "We were stalled," said Bill Good, who used to manage a GE refrigerator plant and now runs supply chains for GE Appliances.

In 2014, GE's appliance unit had $5.88 billion in revenue, representing about 4% of the parent company's sales. Haier Smart Home Co. , the publicly traded affiliate of Haier Group that owns GE Appliances, reported North American revenue in 2020 of around $10 billion at current exchange rates, representing about 30% of the affiliate's total revenue.

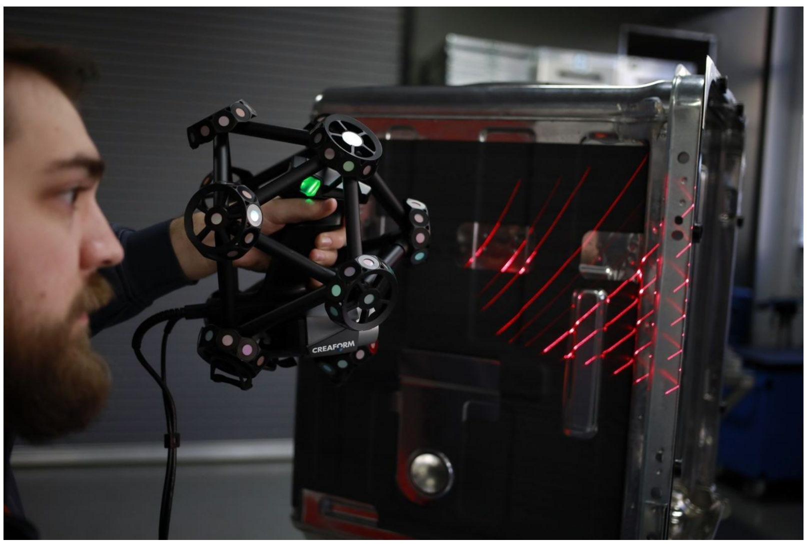
Quality control on the refrigerator assembly line at Appliance Park.

Haier's purchase of GE Appliances was announced in January 2016. Louisville Mayor Greg Fischer, who has held the office since 2011, remembers being concerned at the time. Mr. Fischer, a former manufacturing executive, said he has seen other deals turn out badly for the purchased company.

Mr. Fischer said he has since been impressed with the company's investments, job growth and apprenticeship programs.

"They've grown versus shrinking," he said.

Mr. Nolan, who became chief executive of GE Appliances in 2017 after being its chief technology officer, spent much of the year after the acquisition in China, learning about Haier's culture. While Haier is one of the largest appliance makers in the world, it had previously struggled to break into the U.S. market, especially for larger appliances like full-size refrigerators. GE Appliances said it represents Haier when speaking to U.S. media.



A lab technician at Appliance Park uses an imaging device to scan a dishwasher tub.

Mr. Blankenship said it was easier to connect with Haier's executives in the appliance industry compared with corporate meetings at GE, which often included people overseeing railcar financing or medical devices.

Haier's goal of making GE Appliances the leading appliance maker in the U.S. contrasted with GE's more conservative approach, according to executives at the business. "With GE it was corporate first, don't make any mistakes, stay out of trouble, give us a decent return," said Peter Pepe, who has run the laundry-machine business for more than a decade across ownerships.

The new ownership has improved morale, employees said. Haier has brought more decision making to employees in Louisville and simplified the organizational structure. Managers can undertake moderate investments without needing approval from higher-ups, speeding up decision-making.

Some retailers said making the business part of an appliance-focused company has improved products and marketing.

"With Haier they seem like they are giving them money and ultimatums to double the business," said Mike Abt, co-president of Abt Electronics in Chicago, which sells double-ovens and French-door refrigerators made by GE Appliances.

Haier has simplified the organizational structure at GE Appliances and speeded up decision-making.

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