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Research on the Export Status of Guangdong Lixun Precision Industry

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Abstract: The consumer electronics industry is a key position for China to move from a manufacturing country to a manufacturing power, it is a typical technology-driven industry, an important reference to reflect China's scientific and technological level, and one of the most intuitive technology industries that has the most intuitive impact on people's livelihood, and it is a new growth point for China's economic and trade activities. In recent years, the overseas export of China's consumer electronics industry has developed rapidly, and Guangdong Lixun Precision Industry Co., Ltd., as a leading company in the domestic consumer electronics industry, has maintained a strong momentum of overseas business in recent years. However, with the gradual spread of the Sino-US trade war and the outbreak of the global epidemic, this is undoubtedly a blow to the world's consumer electronics companies. Under the influence of various factors, there are still many problems in the overseas export of Guangdong Luxshare Precision Industry Co., Ltd., and this paper selects Guangdong Luxshare Precision Industry Co., Ltd. as the research object to explore its countermeasures in the context of intensified global competition. This paper first sorts out the relevant concepts and theoretical foundations, and analyzes the export status of Luxshare Precision. It was found that the company's overseas export business has problems such as low bargaining power, single customers, and single product structure. And put forward targeted solutions including diversified publicity, strengthening R&D investment, and scientific control of external policies. Promoting the healthy development of the company's export business can also give some reference suggestions to other companies in this field.

Keywords: Guangdong Lixun Precision Industry, Export, Current Situation Study.

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1 Background

In the annual "Brand Z" jointly released by Google, WPP, and Kaidu ™ In the "Top 50 Global Brands in China" list, Chinese consumer electronics companies have taken the lead. Over the years, China has produced many world-renowned international consumer electronics brands, such as Huawei, Lenovo, Xiaomi, etc. However, the performance of Chinese brands in the global market remains unsatisfactory. In the eyes of foreign consumers, products made in China are of good quality and affordable. But for businesses, good quality and affordable prices mean low profits. [1] The ups and downs of Chinese consumer electronics brands' overseas experiences have also revealed the importance of technological, manufacturing, and brand autonomy, as well as the interdependent relationship between specific brands and national image. [2]

Apple Inc. is a world-renowned consumer electronics company that has created a world leading provider of consumer electronics through its vast and complex global value chain. Guangdong Lixun Precision Industry Co., Ltd., as a well-known value chain giant of Apple, has developed rapidly in recent years. Thanks to orders from Apple, Lixun Precision's export business has maintained rapid growth, but its long-term binding with Apple has also posed a huge crisis for Lixun Precision's sustainable development in the future.

As a leader in the field of consumer electronics manufacturing, Lixun Precision has developed rapidly in recent years and has established long-term and deep cooperation with Apple. It not only manufactures Apple's charging cables, connectors, and headphones, but also engages in the whole machine assembly business. The orders from Apple have led to rapid growth in revenue and market value for Lixun Precision, but long-term deep ties with Apple have also had a certain adverse impact on the development of Lixun Precision's enterprise, such as the concentration of large customers, high risks, and low profit margins. This article aims to provide rational suggestions for optimizing the export business strategy of Lixun Precision Company through research on its exports.

2 Introduction to Lixun Precision Company

Guangdong Lixun Precision Industry Co., Ltd. was established on May 24, 2004 and successfully listed on the Shenzhen Stock Exchange on September 15, 2010 (stock

code: 002475, stock abbreviation: Lixun Precision). The actual controllers of the company are natural persons Wang Laichun and Wang Laisheng, with a current registered capital of 7.099 billion RMB. Since its listing, it has maintained rapid growth, with a compound annual growth rate of over 50% in operating revenue. The annual revenue for 2023 has reached 231.9 billion yuan. The headquarters of Lixun Precision is located in Dongguan, Guangdong Province, with business layout both domestically and internationally. The manufacturing base is mainly located in China, distributed in Guangdong, Jiangxi, Jiangsu, Anhui, Taiwan, and other places. Overseas operations are mainly located in Vietnam and Germany, and research and development centers are established in Dongguan, Kunshan, Taiwan, Germany, and the United States. The company started with component OEM and initially focused on computer connectors. After going public, it continuously expanded its product line through vertical integration and horizontal business expansion through investment and mergers and acquisitions. It has not only become a leading enterprise in China's connector industry, but also achieved a leap from traditional connector business to precision manufacturing business, completing the transformation from traditional manufacturing to intelligent manufacturing, gradually becoming a cross disciplinary precision manufacturing platform. Lixun Precision ranked first among the 34th Top 100 Electronic Components Enterprises in 2021 selected by the China Electronics Components Association and was awarded titles such as "Top 500 Private Manufacturing Enterprises in China". [3]

3 Problems in Lixun Precision Export Business

3.1 Concentration of overseas customers

From the initial connection cable to wireless Bluetooth earphones and then to Apple phones, Lixun Precision is actively deepening its business relationship with Apple; And with the help of Apple, Lixun Precision not only successfully broke away from its identity as a Foxconn OEM factory, but also gradually grew into a consumer electronics giant, with a peak market value exceeding 400 billion yuan.

However, everything has two sides, and joining the fruit chain formation is no exception.

In the entire mobile phone industry, Apple is known for its strict control over the supply chain. On Gartner's supply chain master list, Apple has held a leading position for more than a decade. Whether it is the chip shortage trend or the impact of the epidemic, it has not had a significant impact on Apple, which shows the strength of Apple's supply chain.

According to media reports, Apple has many requirements for fruit chain enterprises, and can even be described as "demanding". If a company wants to join the fruit chain formation, it first needs to be the top 5 in the industry and have the most advanced technology; Secondly, it is necessary to ensure the stability and sufficiency of production, and enterprises often have to "pressure goods" in advance; Finally, it is necessary to have digital and information-based production capabilities, making it convenient for Apple to remotely obtain real-time information on the production line and control the enterprise's production.

In addition, in recent years, Lixun Precision has spared no effort in expanding its production capacity in order to better conduct its business. According to the financial report, in 2022, the total "fixed assets+construction in progress" of Lixun Precision was 46.721 billion yuan. However, when it entered the wireless headphone business in 2016, the total "fixed assets+construction in progress" of Lixun Precision was only 4.558 billion yuan. In other words, in just six years, Lixun Precision's "fixed assets+construction in progress" has increased by more than 10 times.

In addition to expanding production capacity, Lixun Precision's debt and asset liability ratio have also been continuously improving in recent years. In terms of liabilities, the total liabilities of Lixun Precision in 2022 were 89.6 billion yuan, while in 2016, the total liabilities of Lixun Precision were only 8.825 billion yuan, a tenfold increase in just six years; In terms of asset liability ratio, in 2022, the asset liability ratio of Lixun Precision was 60.38%, while in 2022, Lixun Precision's asset liability ratio was 42.11%, a significant increase of 18% in six years.

It is obvious that in order to firmly "bind" the company of Apple, Lixun Precision has also had to frantically expand its production capacity, and as a result, it has been burdened with heavy debt pressure.

3.2 The automation level of the production line is relatively low

As of September 30th last year, the R&D expenditure of Lixun Precision was 6.195 billion yuan, with the R&D expense ratio dropping from 7% three years ago to 4.32%. This is mainly due to Lixun Precision's global layout and continuous construction of factories overseas. The cash outflow expenditure from investment activities of Lixun Precision has been increasing year by year. Correspondingly, its debt to equity ratio is also constantly increasing and will exceed 60% by the end of 2021. So the cash flow collection of Lixun Precision may face higher risks. Under the influence of multiple factors, the automation level of Lixun Precision's production line is relatively low. Compared to the industry giant Foxconn, the per capita profit contribution of Lixun Precision is less than a quarter of his.

So, from the perspective of automation level, Lixun Precision has no advantage. It still relies more on manual labor to build its own output, which is also related to its

weaker foundation than Foxconn. However, this is also what Lixun Precision urgently needs to solve, responsible for continuously increasing labor costs and raw material prices, which will result in huge losses in profits.

3.3 High substitutability of the company

Apple adopts a "wolf raising" strategy in value chain and supply chain management, and will not hand over OEM orders to a single manufacturer. With the weakening of China's demographic dividend and labor cost advantage, in order to reduce excessive dependence on Chinese exports and enhance the resilience of the industrial chain, competitors from other emerging economies are accelerating their integration into the global production system. The "industrial return" and "re industrialization" of developed countries are also guiding cross-border companies to return [4], The Southeast Asian region has been favored by the global industrial chain restructuring and has become a choice for many global multinational companies in the "China+1" strategy. Apple, in order to reduce production costs, seeks to transfer production chains in India and Vietnam to reduce transportation costs and expand market share; In addition, in recent years, India and Vietnam have also been continuously releasing policy dividends, attracting the relocation of Apple's production chain. In addition, in order to strengthen its leadership in the supply chain, Apple not only seeks diversification of the industrial chain, but also lays out localization, doubling the number of factories located in the United States. Therefore, Lixun Precision will face enormous market competition pressure in the future.

4 Analysis of Export Strategies for Guangdong Lixun Precision Industry Co., Ltd

4.1 Diversification of promotional models and expansion of overseas customers

By utilizing channels such as e-commerce and leveraging the brand advantage of its own fruit chain enterprises, it is possible to obtain more orders from foreign companies and gradually break away from dependence on Apple. Apple has always encouraged wolf like competition among fruit chain enterprises and will not let a single company monopolize the supply chain, which has also sounded the alarm for Luxon Precision. Although Lixun Precision began to expand its presence in the automotive industry as early as 2007, this field cannot be achieved overnight and requires a significant amount of technological accumulation. According to the financial report, Lixun Precision's revenue in the consumer electronics industry accounts for over 90%, while its revenue in the automotive sector is still less than 10%. So, in the short term, utilizing diversified marketing and promotion models to expand overseas customers can solve the customer concentration problem of Lixun Precision in the short term, reduce the possible order cutting behavior of Apple in the future, and the potential losses to the company. [5]

According to statistics from the General Administration of Customs, in 2021, China's total import and export volume of cross-border e-commerce reached 1923.7 billion yuan, an increase of 18.6% compared to 2020. With the continuous improvement of international e-commerce level and the diversification of various cross-border platforms, Lixun Precision may use this opportunity to vigorously expand its overseas customers and enhance the sustainable development ability of the enterprise. [6]

4.2 Strengthen R&D investment and establish innovation mechanisms

Strengthening R&D investment and establishing innovation mechanisms are the key to sustained growth and maintaining competitiveness of enterprises. Lixun Precision also needs to plan reasonably and increase its R&D budget based on the company's financial situation and business goals. To make up for the shortcomings of our own production automation modules, we can rely on the theory of latecomer advantage, learn from the advanced experience of giants such as Foxconn, and engage in technical exchanges and project incubation. To quickly improve the automation production level of enterprises.

Simultaneously, establish clear intellectual property policies and procedures to protect research and development achievements, and encourage employees to apply for patents and innovate technology. And regularly provide employees with regular training and learning opportunities, including training on the latest technologies, industry trends, and innovative thinking. Regularly evaluate the progress and effectiveness of technology research and development projects, and improve research and development processes and products through internal and external feedback. And establish clear and reasonable reward systems for R&D personnel and teams to stimulate innovation and the output of excellent results. Research and development activities are accompanied by risks, and enterprises need to establish a risk assessment and management system, allocate resources reasonably, and manage research and development risks.

Through these measures, enterprises can build a healthy research and development environment, promote technological innovation, enhance product competitiveness, and thus maintain a leading position in the fierce market competition.

4.3 Optimize business structure

In 2022, the cooperation between Lixun Precision and Chery Automobile was not Lixun Precision's first foray into the automotive industry. It had already entered the automotive electronics field as early as 2012, providing automotive wiring harnesses, automotive appliances, connectors, and structural components to automotive companies. Faced with the continuous popularity of the new

energy vehicle market, Lixun Precision hopes to quickly enter the car manufacturing industry through a joint venture, which is why it has this cooperation with Chery Automobile.

However, Lixun Precision also emphasized that in this strategic cooperation with Chery, they are not preparing to produce complete vehicles themselves, but are collaborating with Chery to develop a complete vehicle ODM model - making good cars for others. Lixun Precision will form a joint venture with Chery New Energy. The core task of the joint venture is the research and development and manufacturing of new energy vehicles. Together with Chery Automobile, we will conduct research and development, design, and platform building. The products we create will not only be supplied to Chery, but also face other automotive brands. Lixun Precision also stated that the company's medium - to long-term goal is to become a leading manufacturer of automotive parts Tier 1.

Lixun Precision seems to have plans to optimize its business structure to alleviate the competitive pressure faced by its consumer electronics business, but this new business line has always accounted for less than 5% of the company's total revenue. From this, it can be seen that the car manufacturing business cannot be achieved overnight, which requires the long-term accumulation of Lixun Precision. The decreasing proportion of R&D investment each year obviously cannot guarantee the price protection of this plan.

Like Huawei, Lixun Precision has also adopted a "curve car making" model. Differently, Huawei's car manufacturing can directly provide hardware products such as autonomous driving chips, intelligent cabins, and intelligent networking to vehicle manufacturers, as well as offer autonomous driving solutions to partner vehicles. But as far as Lixun Precision is concerned, having the controlling shareholder invest in an ODM platform first and then achieve "dynamic entry" is undoubtedly another step taken.

But in terms of whole vehicle ODM, from the perspective of the demand side, traditional fuel vehicle companies are likely to use their own production lines for the assembly and manufacturing of the whole vehicle. Among the new forces, car companies such as Ideal and Nezha directly adopted the model of building their own factories. Xiaopeng Motors, which initially used the OEM model to enter the field of car manufacturing, later also began the construction of their own factories.

Compared to self built factories, OEM can reduce risk and cost, and can quickly achieve mass production without production qualifications, production lines, and manufacturing experience.

However, due to the unique safety requirements of automotive products, the OEM model has uncontrollability in terms of product quality and quality control. Self built factories can better avoid this problem, reduce costs through large-scale production, and control production and delivery rhythms.

Therefore, overall, the whole vehicle ODM model may only be attractive to third - and fourth tier car companies and cross-border car makers, but it will not be attractive to companies with ambitious car making goals and certain strength. For example, Xiaomi Leijun, who built cars with "full reputation", chose the model of building their own factories.

At the same time, Apple's car making plan is also being pushed forward. Through cooperation with Chery, Lixun Precision can quickly enhance the company's comprehensive capabilities as a Tier 1 manufacturer's core components, facilitating future cooperation with Apple in car manufacturing. From this, it is not difficult to see that the car manufacturing business of Lixun Precision is highly likely to be aimed at undertaking Apple's automotive parts manufacturing business in the future. Although this will help the company's revenue growth and structural optimization in the short term, in the long run, it will only increase Lixun Precision's dependence on Apple.

Overall, the car manufacturing route of Lixun Precision seems to be not suitable for the actual needs of the current automotive industry, and its product competitiveness is relatively weak. If we want to truly optimize our business and break free from Apple's constraints on the company, Lixun Precision needs to invest more energy in the industry, like Huawei, to provide attractive smart car hardware products for manufacturers, in order to maintain the company's sustainable development in the future.

5 Conclusion

In the era of economic globalization, overseas export business is crucial for every enterprise, which also means that the development of Lixun Precision has ushered in new opportunities and also faces new challenges. If it does not follow the trend of global trade development, it willWill be gradually phased out by the market. As a leading company in China's consumer electronics industry, Lixun Precision is facing enormous export trade risks. In this situation, it is particularly important to analyze its export status and future strategies. This article is written with the purpose of elaborating on the current export situation of the company, pointing out the problems that Lixun Precision Company currently faces in its export business, and then proposing export strategy optimization based on the actual market situation. Let the world feel that Chinese manufacturing and Chinese intelligence have always been the pursuit of Chinese enterprises. The achievement of this goal requires the company to make sufficient efforts in expanding customers, increasing research and development investment, optimizing business structure, and other aspects. Only by doing these well can we adapt to the fierce market competition. Due to the limitations of the author's strength, the research on this issue is not yet comprehensive and

systematic enough, with many shortcomings. The limited level cannot guarantee that all viewpoints are comprehensive, and excessive textual analysis makes the article appear monotonous and unconvincing. The countermeasures are also summarized by oneself after reading relevant literature, so the summary is definitely not comprehensive and mature enough.

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Conflict of Interest

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