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Inside Hailun Piano

One Chinese Manufacturers Unorthodox Global Approach To Achieving Superlative Quality

Hailun Piano And The Quest For Quality

Hindered in the domestic Chinese market by peculiar tax laws, Hailun was forced to build a better product or perish. This tough lesson has served the company well as it expands its global presence.

On the Saturday before the opening of the Music China Fair in Shanghai, a multinational team of piano designers is crowded around a hand-carved piano at the Hailun Piano factory in Ningbo, 175 miles to the south. The special edition concert grand with its images of Chinese landscapes carved in rosewood will be the centerpiece of Hailun's exhibit at the show. Voicing specialist Sibin Zlatkovic is making his final adjustments to its exposed strings while the rest of the team looks on. "We did this kind of work at Bösendorfer," says Basilios Strmec, an Austrian who is now president of Hailun USA. "This is gorgeous, all hand-carved. It took 19 months to build."

The showpiece piano represents a first step into the luxury market for Hailun, whose mid-priced pianos have taken hold throughout North America and Europe as well in as in the domestic Chinese market. Last year the brand received worldwide exposure in the form of a red lacquered grand piano built for ceremonies in the run-up to the Beijing Olympic Games.

Behind the scenes, Hailun's team of artistic and technical experts is as international as its aspirations. In China for the upcoming trade show, along with Strmec, are American Frank Emerson, Austrian Peter Veletzky, and Zlatkovic, a Serbian. Emerson, who designed pianos for Baldwin and later for Mason & Hamlin, is a recipient of the Friendship Medal, the highest honor presented by the Chinese government to foreigners who have made outstanding contributions to China's economic and social progress. Veletzky, the owner of Austrian

Hailun Piano's Ningbo factory produces 8,000 pianos per year for the exploding Chinese domestic market as well as export markets around the world.

piano maker Wendl & Lung, is Hailun's senior technical advisor and directs the distribution of Hailun in the European market. Zlatkovic, also of Wendl & Lung, is Hailun's director of voicing and tuning and instructor to the company's team of voicers at the factory in Ningbo.

In about two days the whole team will make the road trip to Music China over the newly constructed Hangzhou Bay Bridge, which has reduced the travel time between Ningbo and Shanghai from a circuitous four hours to a straight shot of two-and-a-half. It's just one example of a rapid modernization that touches everything from China's infrastructure to its economy and the lifestyle of its people.

Middle aged Chinese people can remember being taught as children about the evils of capitalism, Western culture, and all of its trappings, including classical music. Today, knowledge and appreciation of classical music is regarded as a mark of sophistication. As in Western countries, ownership of a high-caliber piano—even among those who don't play—is considered a status symbol. "Twenty or 25 years ago, there probably wasn't a piano in the city of Ningbo," says Emerson. "And now we're building them by the hundreds."

The explosion of China's middle class, usually estimated between 200 and 300 million, has made China the fastest-growing market for Hailun, whose domestic sales have risen 40% in two years. Moreover, market research shows that Chinese people, particularly the younger generation, aren't just able to buy more things—they have higher expectations for the products they purchase than ever before. "There's a

different turn in Chinese perceptions and values," says Strmec. "They have awakened to the idea of quality."

The history of the Hailun Piano Company will illustrate how circumstances pushed the company to market its pianos on quality rather than price. Founder Hailun Chen, who came from a background in tool manufacturing, started the company in 1987 as a parts manufacturer for other piano makers. When Hailun shifted into piano production in 2002, it built its first pianos for export only to avoid the tax penalty imposed by the Chinese government on private businesses competing with gov-

"Our pianos are mutts. On the Chinese side they reflect considerable investment in machinery and people. **BUT THE GENIUS BEHIND THEM** *is also American, Austrian, French—it's the best ideas come together."*

ernment-owned companies in the Chinese domestic market. Later the company did introduce its pianos to the domestic market, but the embedded cost of the tax would make it impossible to compete with other Chinese-made pianos on price alone. "Hailun had to build a higher-quality piano to justify the higher price," says Emerson. "This gave them even more incentive to produce the best product they could."

Once established as a piano maker, Hailun dedicated a $44 million capital outlay toward equipping its 430,000-square-foot factory with custom-designed CNC machinery. A rigorous apprenticeship program was established, recruiting 40 engineering students per year from the Ningbo Institute of Technology. Only the top three are offered permanent jobs. All Hailun workers are trained for at least one year—four years for those involved in tuning and voicing—before being allowed to work on pianos headed for the market. They are paid 25% more than the average Chinese factory worker. "We want to ensure that what we send out is a product of integrity, that

A Hailun worker installs actions at the company's Ningbo factory. All Hailun employees are trained for at least a year before being permitted to worked on pianos destined for the market.

A worker sands cases at Hailun's case factory, a separate company-owned operation outside of Beilun, a suburb of Ningbo.

Gathered around Hailun's hand-carved Dreams of the East piano are Hailun Chen, founder and chairman; Peter Veletzky, senior technical advisor; May Wang, vice president of sales; Sibin Zlatkovic, director of voicing and tuning; Frank Emerson, chief scale designer and lead engineer; and Basilios Strmec, president Hailun USA.

there's quality behind it," says Strmec.

Four years ago, Strmec was vice president for U.S. marketing and sales for Bösendorfer, whose exclusive reputation is built on its annual production of 400 and retail prices of $120,000 and more. Hailun, with its annual production of 8,000 and typical price points between $10,000 and $20,000, demands a different mindset, but some of the principles still apply.

"Bösendorfer continues to survive and command prices of $120,000 and $130,000 because they do not cut corners," says Strmec. "We can't compromise on little things to make our pianos two dollars cheaper. If you're trained in the mentality that people value quality, you'll have the courage to go out on the market and say, 'This is quality—try it and see for yourself,' instead of apologizing for the price."

Indicating a soundboard in production on the factory floor, he says, "Do you see the grain of the wood, how the rings are close together? A good soundboard has very close-together rings—that means the wood has grown very slowly and has greater resonance." Later, in a room of finished pianos due for transport to the Music China Fair, he points out the characteristic texture of the genuine ebony keys on one of Hailun's higher-end grands. "It's a little bit rougher; it gives the pianist a better grip," he says.

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On this trip to the factory in Ningbo, Hailun's design team is refining its newest high-end feature, the inclusion of a sostenuto pedal on two upright models, the HU 6 and HU 7, due to be presented at the winter NAMM show. By incorporating the sostenuto, considered a feature for the professional market, the designers aim to match the range of expression found in a fine European instrument. "It's the mark of a high-end piano," says Emerson. "If you want to be counted among that class of piano, you have to have it."

As a Chinese manufacturer, Hailun faces the preconceptions of consumers in the West, where Chinese products sometimes carry associations with product recalls and quality-control snafus. Even within the music products industry, Hailun fights the perception that the lower cost of Chinese-made products indicates shoddy workmanship more than the lower cost of doing business in China. Zlatkovic counters, "If I were to build the same piano in Boston or Vienna, it would have to cost three to four times more because of the cost of the electricity, the real estate, the insurance, etc. Everything would be more expensive. By building it in China, I can sell it as a less expensive piano, but that doesn't make it a lower-quality piano."

Strmec says, "It's a shame that the word 'Chinese' should be associated with poor quality. We want to change that percep-

tion to reflect the tremendous history of this country and the integrity behind our product."

Considering, incidentally, the range of multinational influences behind Hailun pianos, it's fair to pose the question of whether they should be considered Chinese instruments at all. "What is the word President Obama used to describe himself during the election?" says Strmec. "Our pianos are mutts. On the Chinese side they reflect considerable ingenuity and investment in both machinery and people. But the genius behind them is also American, is Austrian, is French—it's the best ideas coming together."

A FAMILY BUSINESS

Hailun personnel say the company is very much a family business. Several members of the upper level management are related to Hailun Chen, including his cousin May Wang, who is vice president of sales to the U.S. market and also serves as primary translator among the Chinese personnel and visiting experts from the Europe and the U.S. But those who have worked there for any length of time say the sense of family extends to the entire team—even foreigners—to a degree that's unusual for China, where close friendships and casual socializing among colleagues is less common than in the U.S. For lunch at the factory, Hailun executives and visiting designers eat family style at a round table, where at least three languages are often spoken at once but communication proceeds with surprising fluency. After a round of cards with a group of Hailun factory employees, Strmec says, "At what other company would a guy who works in the factory be allowed to win money from the president of the U.S. branch of the company? Other companies try to create that camaraderie, but they keep it at arm's length. There's none of that here. There is a unique skill that Mr. Chen brings to this company that has nothing to do with building pianos and everything to do with building positive international relationships."

Because there's no global consensus on what a piano ought to sound like, Hailun builds and voices its various models according to the tastes of the markets they're destined for. Zlatkovic can deliver a scholarly synopsis of voicing preferences around the world, from the delicate tone favored by the Europeans to the bolder tastes of the Americans. Time, too, has altered overall norms in voicing. Zlatkovic will tell you that trends in piano voicing, which ran to the warn and mellow during the 1920s and '30s and shifted to favor a harsher, stronger sound through the latter part of the 20th century, have come full circle in the early part of the 21st century. "If you transported a pianist from 30 years ago and had him play on one of the mellower-sounding pianos we're voicing today, he wouldn't like it because he wouldn't think it sounded aggressive enough," says Zlatkovic.

More an art than a science, voicing is said to be one of the most difficult concepts to impart to students of the trade. Compounding the challenge for Zlatkovic and his trainees is the lost knowledge that comes from China's long prohibition on Western music and culture. "What I can't give my voicing students is my experience of all the other instruments I have in my mental library," says Zlatkovic. "They have the talent, but they don't have the same cultural reference point as we have in the West. That's why they welcome the expertise we can bring them from the U.S. and Europe, where the piano tradition has existed for so long."

THE EUROPEAN STRATEGY

With a 300-year legacy in piano building, the European markets present special challenges for a new, foreign-made piano. Hailun's European strategy relies heavily on its association with Wendl & Lung, the century-old Viennese piano manufacturer now owned by Peter Veletzky. Veletzky, who at the age of 22 became Austria's youngest master piano builder, represents the fourth generation of his family to head the company. Since forming a partnership with Hailun in 2003, Veletzky has overseen the distribution of Hailun pianos in Europe, where they are sold under the Wendl & Lung name. "Peter's participation has created a lot of credibility for us, both in Europe and in other parts of the world," says Strmec.

In Europe, as in North America, the repercussions of the economic crisis have created an opening for a mid-priced piano modeled after the European tradition in fine piano making. "With our products that offer a lot of value at a very modest price, we are better positioned in this economic climate than many European manufacturers," says Veletzky. "I say that with both a smile and a tear: a smile, because we've done well in Europe, very well, and a tear for the European piano industry, which in large part is suffering."

THE FUTURE OF HAILUN PIANO

After the Music China Fair, Hailun's hand-carved concert grand, called Dreams of the East, sold to a Chinese businessman for approximately $347,000. Following the blockbuster sale, Hailun plans tentatively to craft a similar piano for the 2011 winter NAMM show, and eventually to build up to 50 such instruments each year for the luxury market. But within its primary mid-priced niche, Hailun maintains its focus on building what many say is the missing piece for some of China's most promising companies: a brand that commands recognition and respect in the West. A sleek new Hailun Piano website, tailored to the U.S. market, was scheduled to launch around the first of the year. On other fronts, Hailun is pursuing artist endorsements to match faces and sounds with the Hailun name. "Ultimately, Hailun wants to serve the stages of concert halls and recording studios with instruments worthy of musicians and music connoisseurs of every musical persuasion," says Strmec. "My conviction is that a brand constitutes a promise that is consistently fulfilled to its customers. For Hailun to develop into a brand that follows through on that promise would be my greatest source of pride."

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