

Analysis of Brand Internationalization Strategy

A Case Study of Li Ning

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ABSTRACT

This paper will take Li Ning Company as the research object, based on the analysis of the current situation and existing problems of international management of Chinese sporting goods industry brand, and use SWOT analysis method to systematically analyze the advantages, disadvantages, opportunities and threats of Li Ning brand, and draw the conclusion that the future development space of sports goods industry is huge, and it is necessary to become a competitive international product We need to balance the domestic and foreign markets. It also puts forward some suggestions, such as the localization of the brand, the integration of the brand in China, and the localization of the brand.

Keywords: sporting goods, Li Ning, brand internationalization

I. INTRODUCTION

A. Research background

With the rapid development of China's economy, the significant improvement of people's living standards, and the vigorous development of national fitness activities, people's concept of life has changed, and their awareness of health and sports has gradually increased. According to the national fitness plan of the General Administration of sport, by 2020, 40% of the population will participate in all kinds of sports activities. In addition to the increase in the number of people's demand for sports products, the demand for quality and functionality has also increased significantly. People's demand for sports products according to different sports and fitness projects is more professional and stricter. The development of the sporting goods industry has ushered in new opportunities. The sales of the sporting goods industry in China has continued to increase in the past ten years, by the end of 2018, the industry sales revenue reached 161.3 billion yuan, a year-on-year increase of 10.05%.

China's local sporting goods companies originally developed by undertaking European and American well-known sporting goods brands on behalf of processing business, and now they have gradually embarked on the development path of establishing their own brands, improving product systems, and developing industrial chain business models. However, compared with well-known international sporting goods brands such as Adidas, Nike, Puma, etc., local brands have a late start, low level, insufficient visibility, and weak international competitiveness. In addition to Li Ning, domestic brands such as Anta, Xtep and Peak are

actively competing for the low-end and mid-end markets, and the Chinese sportswear market is becoming increasingly competitive. China's sporting goods industry has been planning an internationalization strategy since the beginning of the 21st century. After more than 20 years of exploration, it is still in the international expansion stage. It has not yet achieved true international operation. The competition in domestic and foreign markets has become increasingly fierce. It is an urgent strategic task for local sportswear brands to adjust the internationalization strategy and enhance the international competitiveness.

B. Research objectives and significance

As a leading brand in China's local sporting goods industry, Li Ning occupies a certain position in the high-end market of domestic sporting goods. However, as more and more well-known sporting goods brands in the world realize the huge potential of China's market, they are aiming at China's market. Obviously, it has greatly shaken Li Ning's position in the local market. Including the strong development of other local sports goods brands such as Anta, Xtep and 361, Li Ning's domestic market share has been seriously reduced in a short period of time. Being aware of the business crisis, Li Ning reshaped its strategy and turned its attention to foreign markets. In 2009, Li Ning formally embarked on its international strategy and the development direction was correct. However, in terms of strategy formulation, Li Ning failed to recognize its own strength and entered the more competitive international market under the conditions of low brand awareness, lack of scientific and technological content and traditional business model, obviously Li Ning's

international strategy was not very successful when its comprehensive strength was far less than that of Adidas, Nike and puma. Facing the double pressure from home and abroad, Li Ning had to readjust its development strategy.

This paper takes the Li Ning brand as the research object, analyzes the status quo and development trend of the internationalization strategy of local sports goods brands, and uses the SWOT model to analyze the Li Ning brand to find out the problems existing in its international business development. So as to provide a set of feasible theoretical guidance and practical reference for the international development of China's domestic sports goods industry.

II. LITERATURE REVIEWS

Liang Ping'an (2018) analyzed the current consumption of sports goods from the perspective of sports consumption value. The consciousness of national sports has been awakened, and the number of people participating in sports has continued to increase. The sporting goods industry has gradually become a new outlet for economic development. With the development of consumer consumption vision and ideas, the emotional value of sports consumption has gradually changed from applicability to brand effect. Following the trend, consumption patterns have gradually become prominent. Liu Donglei, Wang Zipu, etc. (2019) reviewed the development process of China's sports goods manufacturing industry, analyzed the new trend of economic development, as well as the domestic and foreign market environment, it is found that there are a series of problems in China's sporting goods industry, such as lack of innovation ability, lack of professional talents, backward brand construction, low market share of middle and high end, which seriously hinder the development of internationalization strategy of China's sporting goods industry.

As a leading brand in the local sporting goods industry, Li Ning has always had a stable consumer group in the middle and low-end market of China's sporting goods consumption, and also tried to step into the high-end consumer market, but in the high-end consumer market, the position of international famous brands is difficult to be shaken. Hou Yiqun (2008) believed that with the gradual weakening of the dual structure characteristics of the Chinese market, Nike, Adidas and other transnational sports brands began to implement the channel sinking strategy, to launch low and medium price products, to accelerate the speed of penetration into second and third tier cities, and further to compress the survival space of local brands.

In 2015, Mr. Lining returned to the management of Li Ning Co. Lining brand began to implement a more young development strategy, and entered more subdivision areas, and at the same time, he used the

"Internet plus" business model. Huang yuerui (2018) analyzed the financial statements of Li Ning and Anta, two major local sports goods brands, under the framework of Harvard. He found that in recent years, Li Ning's capital liquidity is weak and its short-term solvency is not strong, and its net sales margin although showing an upward trend, Li Ning's profitability is far inferior to the rising star Anta.

Ni Yun (2019) comprehensively analyzed the evolution of Li Ning's marketing strategy since its establishment. During the first attempt of Li Ning's brand remodeling, the market situation was incorrectly judged because of incorrect product positioning. On the one hand, In product design, the lack of innovation and fashion sense, and the increase of product price, it not only did not attract young consumer groups, but also caused a large loss of the original target consumer groups. On the other hand, its internationalization strategy has not achieved the expected results, and product quality and design cannot compete with internationally renowned sportswear brands such as Adidas and Nike.

The above literature analyzes the domestic and international environment Li Ning is facing, as well as its own strategic choices and international performance, while the advantages and disadvantages of Li Ning in the internationalization are less analyzed. This paper intends to analyze the current situation of the industry at home and abroad, use SWOT theory to analyze the advantages and disadvantages of Li Ning brand comprehensively, and put forward the corresponding guidance strategies.

III. STRATEGIC ENVIRONMENT OF SPORTING GOODS INDUSTRY

A. Status of the sporting goods industry

1) *Status quo of the international sporting goods industry:* At present, the popularity of sports in the world continues to increase, and people are increasingly demanding for the specialization of sports goods. The most dynamic markets of sports goods are mainly North American market, European market and Asia Pacific market. European sporting goods market develops rapidly, among which Germany, France and Britain are the main consumer markets, accounting for half of the sales revenue of European sporting goods market. The United States is the largest market in North America at present, and also the largest market of sports goods consumption in the world, accounting for about one third of the global market share. With a large population and rapid economic development, the consumption potential of sporting goods in the Asia Pacific region is gradually emerging.

In the third quarter of fiscal year 2019, the internationally renowned sportswear brand NIKE achieved sales revenue of US \$ 3.81 billion in North America, up 7% year-on-year. Sales in Europe, the Middle East and Africa increased 12% to \$ 2.435 billion. Revenue in Asia Pacific and Latin America increased by 14% year-on-year to US \$ 1.307 billion. China's market revenue increased 24% year-on-year to US \$ 1.588 billion. Adidas has adjusted its strategy, and its performance has grown very rapidly in recent years. In 2018, Adidas realized revenue of US \$ 25.88 billion, a year-on-year increase of 8.0%; net profit was US \$ 2.01 billion, a year-on-year increase of 24.6%.

Among them, the fourth quarter achieved revenue of 5.97 billion US dollars, an increase of 0.3% year-on-year; net profit of 100 million US dollars, an increase of 35.2% year-on-year.

At present, the sporting goods in the international market are still dominated by European and American brands. Based on the analysis of the operation of several major sporting goods brands in Europe and America in 2018, Nike's revenue is significantly higher than that of other brands. Adidas's revenue is also very optimistic, but there are still some differences compared with Nike.

TABLE I. REVENUE OF FAMOUS SPORTS GOODS BRANDS IN EUROPE AND AMERICA IN 2018

Brand	Revenue (USD billion)	Revenue Growth Rate %	Net profit (USD billion)	Net profit growth rate %
NIKE	36.397	7.47	4.029	108.43
ADIDAS	25.88	8.0	2.01	24.6
PUMA	5.203	12.4	0.2098	38
Skechers	4.642	11.48	0.301	68
Under Armour	5.193	4.35	0.46	4.06

2) Status of domestic sports goods industry: The industrialization of China's sporting goods began in the early 1980s. The initial business was to undertake the processing business for internationally renowned sports brands. After nearly 40 years of development, China has now become the world's largest sporting goods manufacturer. According to the data of the National Bureau of statistics, the turnover of China's sporting goods market in 2018 reached 190 billion yuan, an increase of 5.56% over 2017. With the rapid economic growth in China, people pay more attention to sports and the number of people taking part in sports is increasing. According to the comparative analysis of the sales data of China's sporting goods in the past decade, the sales volume has increased steadily year by year, and the growth rate has slowed down slightly in the past two years.

^a Source:www.askci.com

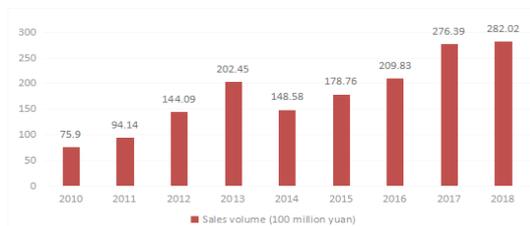


Fig. 1. Retail sales of sporting goods from 2009 to 2018. Source:www.askci.com

In addition to Li Ning, there are Anta, Xtep and 361 brands competing with each other. From the operation of the four major local sporting goods brands in 2018, Li Ning, as the leading brand in the local sporting goods industry, the operating revenue has been overtaken by Anta. In the domestic market, Li Ning and Anta have been competing for high-end market share. The difference in revenue between Li Ning and Anta is not only a lag in performance, but also a failure of Li Ning's market strategy.

TABLE II. REVENUE OF LOCAL SPORTING GOODS BRANDS IN 2018

Brand	Revenue (billion yuan)	Revenue Growth Rate %	Net profit (billion)	Net profit growth rate %
Li Ning	10.511	18.45	0.715	38.84
Anta	24.1	44.38	4.103	32.87
Xtep	6.383	24.83	0.657	60.86
361	5.187	0.57	0.304	-33.51

^a Source :www.stats.gov.cn

Under the situation of fierce competition in the domestic market, in order to seek more long-term development, local sporting goods brands have taken the commercial strategy of domestic survival and

overseas development to step into the overseas market. According to the data from the think tank of sports bank, in 2018, the total import and export of China's sporting goods was about 23.45 billion US dollars, of which the

export value was about 22.322 billion US dollars, accounting for 95.19% of the total import and export volume. From the current data, the export situation of China's sporting goods industry is still optimistic, and there is an upward trend in export scale.

At the beginning of 1990s, various famous international high-end sports goods brands came into China's market. Li Ning company was also formally established at this time. At first, it was mainly engaged in sports clothing. Now its industrial chain has included sports shoes and clothing, accessories and sports equipment, and gradually developed into a leading brand in the local industry. Li Ning company adopts a multi brand business development strategy. In addition to its own core brand (Li-Ning), it also owns Lotto, AIGLE, Z-DO SPORTS and other brands. In addition, Li Ning company also controls Shanghai Hongshuangxi and wholly-owned acquisition of Kaisheng sports. After consolidating the position of the domestic market, Li Ning began to explore the international market. In 2001, Li Ning established the first brand store in Spain, and subsequently obtained franchise distribution rights in

many countries and markets. To seize the great opportunities for development, Li Ning chose to go public and became the first listed sporting goods company in the Mainland. The good times didn't last long. In 2012, Spain's brand stores went bankrupt and closed, followed by Hong Kong's flagship stores. In 2016, Li Ning's sales performance fell, and its international sales accounted for only 2.6% of the total sales.

In order to revitalize the company and its brand, it is necessary to comprehensively adjust the company's brand positioning. In 2018, Li Ning landed in the 2018 New York Fall Winter Fashion Week and became China's first sports brand to appear in New York Fashion Week. Li Ning broke the stereotype of space, people's consistent recognition of this local sports brand, and integrated sports with traditional Chinese culture and retro trend. The meeting ignited the trend confidence of Chinese people, and the company's performance also reached a new high in 2018. According to Li Ning's 2018 financial report, during the reporting period, the company's operating income was 10.511 billion yuan, a year-on-year increase of 18.45%; net profit was 715 million yuan; a year-on-year increase of 38.84%. Li Ning continued to pursue the victory, and then appeared in the 2019 Paris Fashion Week with a trendy new product. In 2006, Li Ning broke ground with the launch of the "Li Ning Bow" shock absorption technology, which was applied to footwear products, and the market responded enthusiastically. In addition, in terms of brand promotion, Li Ning also spared no effort to sponsor sports events of all parties, signed the endorsement of international superstars, and promoted the brand image.

B. SWOT analysis of Li Ning's internationalization

1) Strength: As the leader of China's sporting goods brand industry, Li Ning is a national brand recognized by the people. In addition to the popularity of the founder Mr. Li Ning at home and abroad, it can be said that Li Ning brand has a strong brand heritage. With the development of economy and the rise of the upsurge of fitness sports, the state and the government pay more attention to sports, the improvement of people's income level and consumption upgrading, especially the large population in Asia, Africa and Latin America, the huge consumption potential is gradually emerging, the sports goods market has a bright prospect and rapid development.

Among many local brands, Li Ning is the first one to take the road of professional design and outsourcing production, pursuing the original products and brands, and committed to creating "fashionable, young and personalized city brand", integrating Chinese traditional culture into product design, raising a national trend in the fashion industry, and building Li Ning into a fashion and sports oriented city A trend brand that caters to people's aesthetic and taste. In addition, Li Ning has developed such as B + C (rebound + cushioning), SAS midsole support, Li Ninggong, arc, cloud and other black technology of the midsole structure, designed many classic product series, which are popular with young consumers. Li Ning is also very close to the people in terms of pricing. The price positioning of products under Li Ning brand is about 20% lower than that of international famous brands such as Adidas and Nike, and a large number of low-income people are attracted by its high cost performance.

2) Weakness: Li Ning's brand internationalization is still in its infancy, and its own international market competitiveness is weak, and the use of overseas market resources is relatively limited. Compared with the domestic market, developed economies such as Europe and the United States have developed quite mature consumer goods market and people's consumption concept, especially sports clothing products are the most typical consumption field of brand and cultural concept, and the trust and dependence of European and American consumers on local brands are hard to be surpassed by foreign brands, so Li Ning will inevitably encounter brand discrimination when entering the European and American markets.

In terms of product positioning, from sports majors to fashion and leisure, in terms of target consumers, young and middle-aged people are the main force to cater to younger consumer groups. Such continuous adjustment and transformation, on the one hand, is

difficult to cultivate customer loyalty. On the other hand, the core competitive products have not been identified for a long time, and both low-end sports products and high-end sports products are produced. This will cause the product line to be too long, it will be difficult to concentrate resources on developing core competitive products, and even the problem of brand management.

3) *Opportunity*: The development of social economy drives the change of people's demand. With the improvement of consumption ability and the increasing popularity of sports events in the world, people's demand for sports fitness products is becoming more and more professional and high-quality. In recent years, there has been a trend of sports and leisure in the fashion circle. In the two years from 2018 to 2019, Li Ning has boarded New York and Paris fashion week four times. Every season, Li Ning of China puts imagination and creativity first, so as to show the world the confident Chinese culture. From the beginning of 2018 when Li Ning boarded the New York International Fashion Week, it has attracted the attention of consumers at home and abroad. In the performance forecast released by Li Ning in June 2019, in the first half of 2019, Li Ning expects to achieve revenue growth of more than 30%, the highest growth level in a decade.

4) *Threat*: Seeing the huge consumption potential of the Chinese market, major sportswear brands have entered the Chinese market. Adidas, Nike and other brands have established a mature operating model for a long time. They have a good brand image, product performance and brand influence in the minds of consumers. Many local sports goods are unable to compete with them. Adidas, Nike and other first-line brands turn to the second and third-line markets after the economic winter. Moreover, Jinjiang department, represented by Anta, is developing rapidly among the local sporting goods brands, and strives to become one of the high-end brands from the low-cost positioning end. At the same time, it is actively exploring the international market. So for Li Ning, on the one hand, it's the old competitors' squeezing of market share, on the other hand, it's the rising star's catching up. No matter the high-end market or the low-end market, the competition situation is very fierce. As for Li Ning brand itself, the phenomenon of product homogeneity is serious, and the innovation and breakthrough in technology are still insufficient. In addition, the increase of human cost and material cost makes the international development of Li Ning brand more challenging.

C. SWOT strategic analysis of Li Ning's internationalization

1) *Strength-opportunity strategy (S.O)*: Li Ning needs to take advantage of the current rapid development of the global sports industry and the sporting goods industry, as well as domestic cost advantages to build itself into an international brand. Li Ning wants to build a fashion and leisure sports brand, so in the process of competing for the international market, it must grasp the core technology advantages and quickly perceive the keen power of fashion trend.

Li Ning should make full use of the existing popularity and influence to develop international business, avoid duplication of work and reduce sunk costs. At the same time, global resource integration and allocation is an important way to internationalization.

2) *Strength-threat strategy (S.T)*: Low-price positioning can help brands quickly integrate into the market in the short term, but continuing to take the low-cost approach to the people will only lead to the gradual loss of consumer groups. Therefore, after the brand gradually establishes a stable consumer group and has certain industry influence, it is necessary to focus on improving the core competitiveness of the brand, unique technical innovation and product design, and adopting differentiated market strategies to provide products with different prices and functions to customer groups of different consumption levels, both to stabilize the low-end consumer group, and to strive to develop and expand High-end consumer groups.

In addition to the construction of the brand itself, it also needs to rely on the publicity and promotion of relevant media. With the help of fashion week, cooperation with well-known fashion media at home and abroad, invitation of international stars for endorsement, cross-border cooperation among brands and co-branding are all important ways for modern enterprises to explore new markets.

3) *Weakness-opportunity strategy*: Li Ning's strategy in exploring the international market is the mode of "first high then low", that is, first entering the markets of high-income European and American countries, such as Spain, France, the United States and other developed countries, where the residents' consumption habits are stable, the brand concept is profound, and they often have a wait-and-see attitude towards foreign brands. Therefore, when Li Ning enters the markets of these countries, market research is very important, including information of competitors, consumption level of residents, and a deep understanding and respect of the consumer culture and consumption habits of the host country. In addition, the strategy of acquiring local brands can be used to solve

market network and supply chain problems, to reduce the psychological exclusion of imported brands, and to improve the adaptability of brands in various markets.

4) *Weakness-threat strategy*: Compared with the profound brand history and corporate culture of international well-known brands, Li Ning's greatest advantage lies in its unique oriental cultural heritage, finding out the "Oriental elements". It can be said that Li Ning has found the appeal point of global market positioning and the foothold of differentiated competition.

In the field of basketball and football, NIKE and Adidas have first-mover advantages and have established an unshakable market position. Li Ning chose to avoid these two areas and take badminton as a breakthrough to seize the market, reduce market entry barriers, and further become a leading brand. However, in the long run, Li Ning still needs to occupy a place in the basketball and football fields, because these two fields are the sports that truly allow the world's billions of consumers to participate in and pay the most attention to, so the market is still the largest and most potential.

IV. CONCLUSION

The sporting goods industry in China is a rapidly developing emerging industry. As a subsidiary industry of the sports industry, with the reform and marketization of the sports market system, the space for the future development of the sporting goods industry is huge. Li Ning's internationalization strategy is the right choice under the current market competition pattern. Facing strong competitors, in order to become a competitive international brand, it is necessary to weigh the domestic and foreign markets. To develop the international market, enterprises need to rely on the advantages of the domestic market, to increase investment in capital and manpower, and to build international brands. In the face of insufficient resources and asymmetric information, Li Ning should reasonably make appropriate choices, appropriately abandon the multi-brand strategy, clarify the trial production positioning, focus on the development of advantageous market segments, and step out of true international sports Supplies brand.

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