

An Analysis of Anta's Key Success Factor

Zhennan Wang^{1, *}

¹ Zhennan Wang, Cooperative School of International Education, Tianjin University of Commerce, Tianjin, 300400, China

*Corresponding author. Email: 1033065035@qq.com.

ABSTRACT

This study mainly analyzes the reasons for Anta's success from internal and external factors, and analyzes Anta's financial situation. This paper comprehensively studies the reasons for Anta's success, and points out the possible hidden dangers of Anta's development. Dig out why Anta become the NO.3 sports brand in the world just after Nike and Adidas. And shows the importance of right strategy and good external environment for a company.

Keywords: Internal factors, External factors, Marketing strategy, Developing direction, Financial analysis.

1. INTRODUCTION

At the end of June 2021, Anta's market value surpassed Adidas and become the second largest sports brand in the world for a while [1]. There is no related research about Anta's success, it's important to combine all of the elements related to Anta's success. In this paper, I will explain the reasons for Anta's success as fully as possible. To access whether or not Anta could expand their market value continually. To explain what kinds of strategy used by Anta are helpful for their success. To find out what kinds of external elements can affect sports market.

The success of Anta is caused by both themselves and the external elements. Anta now is in a good financial situation. The Anta with an excellent operating condition. The internal elements include the right marketing and developing strategies, etc. The external elements mainly include the rapidly development of Chinese economic, individual concept towards sports changed, National Policies that Favour Industry Growth. Etc.

2. KEY SUCCESS FACTOR ANALYSIS

The Anta 's success can divide into two parts. Combine these two parts caused the Anta's success.

2.1. Internal Factors

The internal factors include the Anta's management use the right strategies, such as marketing strategies, developing strategies and the right direction.

2.1.1. Marketing Strategies

The marketing strategies consists with two parts: domestic and international.

2.1.1.1. Domestic Marketing Strategies

20 years ago, Anta just a small company which make the shoes, but in 1999, Anta made a decision to promote their brand image. But the price is one's profit of Anta. It's a hard decision, Anta spend 3 million RMB to advertise their brand in CCTV and they cost 800 thousand yuan to invite table tennis player Linghui Kong as the brand spokesman. In 2000, Linghui Kong won the golden medal in Olympic game. The Anta advertisement containing him was also broadcast in the prime-time period of CCTV. Because of the advertising effect of CCTV and the star effect of table tennis champion Linghui Kong, Anta is known by more and more people, and its commercial territory has also begun to expand rapidly [2]. The sports brand market of second and third tier cities has basically been won by Anta. With these funds, Anta has further improved its own production chain. In 2012 they want to sponsor the 2012 Olympic Games. At this time, it is not so simple to win the sponsorship of the Olympic Games. They must spend 600 million. At this time, Anta's profit for a year is only 400 million. This money is not easy for Anta. But Anta still managed to scrape together the 600 million yuan. Facts have proved that Anta has made the right decision again [3]. After winning the sponsorship of the Olympic Games, Anta took charge of the sponsorship of the next three consecutive Olympic Games. On the podium, the

logo of Anta is displayed on the award clothes of Chinese players, and Anta is more closely connected with the Olympic Games. In this year Winter Olympic Games, Anta signed a contract with star player Gu Ailing and sponsored the Chinese team, which added a wave of popularity to Anta. Anta get a lot of fame in China. This will help their products sell better.

2.1.1.2. International Marketing Strategy

After its great success at home, Anta set its sights on the world. At that time, the giants in the world were Adidas and Nike. They increase brand awareness by signing stars of top sports leagues, and they also attract fans of these stars to buy their own products by designing exclusive shoes for them. When the NBA's star James Thompson came to the stage, they increased the visibility of the international Celtics. There is no doubt that this initiative is also very successful. Anta's share in the international market is also growing [4].

2.1.2. Developing Strategies

The developing strategies include 2 parts. M & A strategy and correct brand positioning.

2.1.2.1. M & A Strategy

At the moment of Anta's highest reputation, it began its acquisition journey, focusing on Asian brands in the early stage, and then starting with high-end sports brands after its operation has improved. Anta's business strategy is steady, and he has gradually grown into a top sports brand in China. In 2009, Anta acquired the operation right of FILA in China [5]. From the revenue data of Anta, Anta's own brand should lag behind the acquired FILA, and Anta's positioning for FILA is medium and high-end, which is also the reason why the brand makes the most money. Whether the future profit direction of the remaining brands in Anta's hands can follow FILA needs to be verified later. In 2021, Anta performed well in terms of operation. Amer sports, which lost 720 million last year, was reduced to 440 million this year [6]. At the same time, the 68% gross profit margin of Filo and 78.4% gross profit margin of Desant also enhanced Anta's ability to make money. Anta incorporated Arc'teryx and Desant [7], which enabled Anta to have corresponding products at all levels.

2.1.2.2. Correct Brand Positioning

After continuous acquisitions, Anta has a place in the market at all levels. Whether in the middle and low-end market or high-end market, Anta has a corresponding brand. A clear division of labour has been formed. Anta's positioning is very simple. They just want to tell consumers that Anta is an ordinary person like you, but they can make themselves extraordinary through their own efforts. They have found our best position.

2.1.3. Right Direction

Most people think that sports brands do not need to invest most of their money in scientific research, but Anta has invested a lot of money in scientific research. This also enables Anta to master many core technologies. For example, at the Winter Olympics, the uniforms of the Chinese speed skating team, the shoes of the snowmobilers and the clothes of the skiers were integrated into the latest technology mastered by Anta. These technologies have also helped Chinese players achieve the best results of the Olympic Games.

In the next five years, Anta brand plans to invest more than 4 billion yuan in R & D costs to strengthen the core competence of scientific and technological innovation, Anta Group's R & D investment increased from 308 million yuan in 2015 to 871 million yuan in 2020. The group's support for Anta brand in the next five years can be seen. For a long time, Anta has paid great attention to the investment in basic disciplines in R & D and innovation, deeply cultivated the field of sports science and technology R & D and innovative design, established the first national sports science laboratory recognized by the state in the domestic industry, and has five design and R & D centres in China, the United States, Japan, South Korea and Italy. Anta has supported 8 Olympic Games, 28 Chinese national teams and applied for more than 1400 national patents. In the future, Anta will continue to build advanced competition equipment for more national teams and lead the improvement of brand professional innovation and R & D capability; At the same time, we will accelerate the independent research and development and iteration of mass commodity movement technology, and constantly improve the global layout of innovation resources. Deepen industry university research cooperation with Tsinghua University, Beijing Institute of fashion, Beijing Sports University, Xiamen University, China Institute of standardization and other industries, integrate the global high-quality strategic supplier system, form strategic partners with international leading material and chemical suppliers, form an innovation platform integrating internal and external integration, and maintain continuous innovation in professional sports [8]. This is a correct development direction. Science and technology is the primary productive force. This will maintain Anta's competitiveness in the market for a long time.

2.2. External Factors

The external factors include the rapidly development of Chinese economic, the concept of sports changed in Chinese mind and the national Policies that Favour Industry Growth.

2.2.1. Rapidly Development of Chinese Economic

In 2021, China's per capita GDP exceeded 12,000 US dollars. In China, a market with a population of 1.4 billion, the per capita GDP of US \$12000 means that this market has great purchasing power [9]. In this context, Chinese people are more willing to spend on their own health sports. Therefore, sports brands will have more and more market space [10]. This will help sports brands in China to expand their business scale. Not only Anta, Nike, Adidas and other foreign brands, but also domestic brands such as Li Ning Tebu have achieved record sales in China in recent years. In the face of repeated epidemics and supply chain disruption China's economy is inevitably affected Ring. According to the statistics of the National Bureau of statistics, GDP increased by 2021 year-on-year in the first half of the year, with a growth rate of 12.7%, but decreased to 4.9% and 4% respectively in the following two quarters, with a year-on-year growth. The increase was 8.1%. Total retail sales of social consumer goods. The amount recorded a rapid growth of 23% in the first half of 2021. Although the second half compared with the first half. The growth has slowed down, but it is still possible to increase by 12.5% to 44.08 trillion yuan in the whole year. Under the background that China's economic development is still strong, China's sports brand market will continue to expand [11].

2.2.2. The Attitudes to Sports

Since the 20th century, after the vigorous development of sports by the Chinese government and the holding of two Olympic Games and various international events, the Chinese people's attitude towards sports has begun to change, especially Chinese parents. In the past, they would think that children's extracurricular sports were not doing their jobs, but after the development of sports over the years, they also began to realize that sports will also be a way out for children. And they no longer think that sports is a factor affecting their children's learning. Instead, they will encourage their children to participate in sports, and they are willing to participate in sports themselves [12]. This situation will lead to the expansion of the market of sports brands. People will choose sports brand products in order to buy professional sports equipment. Various folk and unofficial movements have also become popular among the people. These factors are conducive to the development of sports brands.

2.2.3. National Policies that Favour Industry Growth.

Despite the poor economic situation in the second half of 2021, China's sportswear industry is still optimistic. The summer and Winter Olympic Games have aroused enthusiasm among the Chinese public and received the

support of the Chinese government. According to the national winter sports development plan (2016-2025), the scale of winter sports industry is expected to reach 1 trillion RMB by 2025. As the official partner of COC for 16 years, Anta not only provides first-class sports equipment for Chinese athletes, but also is expected to gain great exposure and publicity during the Olympic Games. In particular, the sales of sportswear related to the Olympic Games increased significantly in this fiscal year. At the same time, China's new national policies are also conducive to the development of sportswear industry. In the face of the epidemic, the Chinese government encourages citizens to improve their health by carrying out more sports activities. In August, the State Council issued an announcement to promote the new five-year national fitness plan. By 2025, the public will enjoy the national fitness facilities in counties, towns, administrative villages and communities within a 15-minute walk. The new measure is expected to bring 5 trillion yuan of revenue to the sportswear industry. These new national policies and socio-economic development will promote economic development. With the vigorous development of China's sportswear industry, it is expected that this will bring healthy benefits to the growth of the sports industry [13].

3. DISCUSSION

Lay out the data in recent years about the Anta's financial condition, Through the financial ratio analysis's result. Compare the strategy between Anta and Li-Ning. In order to explain why Li-Ning's market value is much lower than Anta. Li-Ning and Anta both famous brands in China, but their development process is different. At the beginning of its establishment, Li Ning also had more abundant capital than Anta, and Li-Ning was founded one year before Anta. Through the following analysis, we will find that Anta's correct strategic decision makes it the third largest sports brand in the world.

3.1. Financial Analysis

3.1.1. Ratio Analysis

Table1. Balance sheet

	2021 RMB'millio n	2020 RMB'millio n
Assets		
Total non-current assets	22,766	19,150
Total current assets	39,602	32,717
Total assets	62,668	51,867
Liabilities		
Total current Liabilities	15,943	11,715

Total non-current assets	15,062	14,328
Total liabilities	31,005	26,043
Equity		
Total equity	31,663	25,824
Total liabilities and equity	62,668	51,867
Debt to equity ratio	0.98	1.01
Current ratio	2.48	2.79

Database: Anta's Annual Report.

According to calculate, we can find that the current ratio and the debt-to-equity ratio both in a good range. And we can know from the sheet that the total assets also increased a lot, about 20%, it's a wonderful increasing percentage, shows the Anta's strong profit ability. Both these information shows the Anta's financial condition is good. Anta can flexibly adjust their financial situation at any time. And this corresponds to the Anta's success.

3.1.2. Five-Year Financial Analysis

Table2. Five-Year Financial Statement

	2021	2020	2019	2018	2017
	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)
Revenue	49,328	35,512	33,928	24,100	16,692
Gross profit	30,404	20,651	18,659	12,687	8,241
Profit from operations	10,989	9,152	8,695	5,700	3,989
Total assets	62,668	51,867	41,218	24,374	19,074
Total liabilities	31,005	26,043	20,157	7,854	4,714
Net assets	31,663	25,824	21,061	16,520	14,360
Shareholders' equity	28,923	24,103	20,082	15,777	13,706
	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)
Shareholders' equity per share	10.70	8.88	7.43	5.88	5.11
	(HK cents)	(HK cents)	(HK cents)	(HK cents)	(HK cents)
Dividends per share	158	68	67	78	98
	(%)	(%)	(%)	(%)	(%)
Gross profit margin	61.6	58.2	55.0	52.6	49.4

Database: Anta's Annual Report.

We can see from this table that Anta's profit has been growing steadily. Gross profit in 2021 increased by 50% compared with 2020, which is an amazing growth. It is also in this year that Anta's market value surpassed Adidas and became the second largest sports brand in the world for a period of time. After analysing shareholder's equity, we can see that when the profit increases by 50% in 2020, shareholder's equity basically maintains the original growth rate, indicating that Anta has invested more expenses in scientific research and marketing. Anta's gross profit margin is also growing steadily, indicating that Anta's profit margin is also getting higher and higher. At the same time, we see that the earnings per share of shareholders are also increasing steadily, which is also a proof that Anta's financial situation. These are the performance of Anta's business situation getting better and better.

3.1.3. Income analysis

Table3. Income Overview

Year ended 31 December	2021	2020	Changes
	(RMB million)	(RMB million)	(%)
Revenue	49,328	35,512	38.9%
ANTA	24,012	15,749	52.5%
FILA	21,822	17,450	25.1%
All other brands	3,494	2,313	51.1%
Gross profit	30,404	20,651	47.2%
ANTA	12,528	7,035	78.1%
FILA	15,394	12,092	27.3%
All other brands	2,482	1,524	62.9%

Database: Anta's Annual Report.

Through this table, we can find that the main revenue of Anta Group today comes from Anta brand and FILA. Among them, FILA, which was acquired by Anta, has brought more than 40% of Anta's revenue and more than 50% of Anta's net profit. This means that Anta's revenue

structure is relatively single. If one of the brands is not well operated, it is easy to bring a sharp decline in the company's revenue. Let's note Anta's growth rate in net profit. It is a staggering 78.1%, which indicates that Anta is developing with a strong momentum.

3.2. Comparison with Li-Ning

In 2010, although Li Ning's revenue was still above Anta, its profit was exceeded by Anta (HK \$1551 million and HK \$1108 million). Anta has only 1 / 2 of Li Ning's in terms of the average inventory turnover days, average accounts receivable turnover days and average accounts payable turnover days. This is the core factor that Anta can achieve anti excess in market value. Shizhong Ding, Anta's CEO, publicly pointed out the problems of the "large wholesale model" for the first time in 2010 and required Anta to complete the retail transformation within 3-5 years. Inventory backlog is very common in the field of consumer retail. One way is to form a stronger interest binding relationship with dealers and share the inventory pressure together; Another way is to drastically shut down excess capacity - Anta will cancel multi-level distribution and directly set up a sales and operation Department, which will face the market, and the shopkeeper can place orders directly to the headquarters. In this way, Anta reduced the inventory sales ratio from 5:1 to 4:1, while Li Ning's inventory sales ratio was still 7:1 in the same period. In the first half of 2011, Anta lost 136 million yuan of inventory, twice that of Li Ning in the same period. In addition to the poor response to inventory, Li Ning is also timid in marketing: Although Li Ning is the first Chinese brand to sign NBA stars, Li Ning did not follow up when Anta and peak took out more budgets to smash the NBA. Li Ning once planned to invest resources in the field of football, but when he signed the Premier League club, Li Ning chose to play in the domestic league.

In 2018, Li Ning launched its sub brand, China Li Ning. This brand is defined as a high-end brand by Li Ning, and the price is also very high. This measure has indeed increased Li Ning's income, but there is a polarization in the hearts of consumers. Some people think Li Ning has no reason to sell so expensive, while others think Li Ning has become a brand higher than the level, but most people still think Li Ning has no cost performance, they are often willing to buy Nike or Adidas at the same price. So, Li Ning lost a lot of users. Li Ning also has the problem of not paying attention to R & D investment. In 2021, R & D investment even dropped to 1.8% of revenue. Did not grasp the technology that can shine in front of consumers. The success of Anta is that FILA and Anta's main brands are high and low, which just stuck in different purchasing power markets and solved Anta's urgent desire for the high-end market at that time. In 2018, Anta made another move to acquire Amer

sports, which owns outdoor brand Archaeopteryx, tennis brand Wilson, fitness brand Precor and ski brand atomic, and cut into multiple subdivided sports scenes [14].

Through several correct decisions of Anta's management, Anta has surpassed Li Ning to become the first sports brand in China and the third in the world.

4. CONCLUSION

4.1. Key Findings

Anta's success not only because the right marketing and developing strategies, but also due to the good external situations. Anta's financial report shows that they are developing in a better and better direction. Show a successful business model and what can the right strategies bring to a company. We can learn from Anta's success. It taken 20 years become the NO.3 sports company from a small factory because the right decision and good external environments. It shows a successful business model for other companies.

4.2. Limitations

Based on the analysis of Anta's financial reports and various public data, it is not sure whether Anta has concealed its financial situation. The current market value of Anta has decreased by almost 40% according to the highest point last year of HK \$486.3 billion. Moreover, each company is faced with different environments, and the location of the company is also faced with different cultures and different government policies. The success of Anta may not have much reference significance for companies facing different environments from Anta. However, in terms of formulating the company's development strategy, Anta still has many other companies worth learning.

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