

BRAND PROFILE: LI-NING

Chinese sports brand Li-Ning has set its sights on competing against western brands such as Nike and adidas, but competing against such giants on their home turf will always be an uphill battle.

Tough at the top

In 1984, gymnast Li Ning became the most decorated Chinese athlete at the country's first Olympics, winning six medals. He was an athlete at the top of his game, winning three gold medals in floor exercise, pommel horse and rings as well as two silver medals and a bronze medal. He became known in his home country as the 'prince of gymnastics'. Four years later, Li took part in the 1988 Olympics. He had injuries and, as a result, made a number of mistakes and failed to win any medals. It was a disappointing end to an illustrious career, but Li picked himself back up and in 1990 he founded Li-Ning Company Ltd, designing and manufacturing athletic apparel and shoes.

Mr Li's athletic career bears a few similarities to the path of his company, which, despite a very successful two decades at the top end of China's home-grown brands, has recently met more than a few stumbling blocks. During the last decade the company has grown into a significant competitor for western brands in the domestic market. According to the company's US website, Li-Ning was the first company of its kind to franchise throughout China in 1993, and the first to open a facility devoted solely to the design and development of its apparel and footwear in 1998. While Nike remains the best-selling sports brand in China, Li-Ning posted higher sales revenue than adidas in 2009, making it the country's second largest sportswear manufacturer. However, following a rebranding and the opening of a US headquarters and flagship store in Portland, Oregon, in 2010, the company's sales have been slowing and three senior executives unexpectedly left the firm in May.

So what went wrong? According to Paul French of Access Asia, a Shanghai-based retail consultancy, Li-Ning "is the only one of the Chinese sports brands that tried to play against the big guys, and they are just getting hammered by it". It seems that the challenges arose when Li-



Chinese diver Guo Jingjing is sponsored by Li-Ning. She has won more Olympic medals than any other female diver but is retiring this year.

 Shutterstock

Ning decided to up the ante and, instead of being popular due to its comparatively low prices, chose to branch out into new market segments, invest in innovation and specifically target young professionals. In doing this, the company hoped to raise prices so that consumers were not just choosing its products because they were cheaper, but because they offered a similar level of quality and prestige. Its decision to compete head to head with foreign brands was viewed as an important test case for Beijing's ambitions to rebrand China as more than just a cheap manufacturing base. But this aim is an uphill battle and taking on the likes of Nike and adidas, both of which have such a strong presence and following, will always be risky.

In 2010, six years after Li-Ning went public on the Hong Kong stock exchange, the company rebranded, for two reasons. The first was to change people's perceptions of the brand in the

*Li-Ning sponsors
Chinese professional
tennis player Zi Yan.*

 Shutterstock

domestic market. The firm was focussing on getting its goods into China's first-tier cities so that consumers would naturally start to equate it with the more established global brands. The second was to take a distinct position against its formidable rivals. Li-Ning's 'Anything is Possible' slogan was too similar to adidas' 'Nothing is Impossible', so the brand adopted a new slogan, 'Make the Change'. Its old logo, stylising Li Ning's initials into a wave-like symbol closely resembled Nike's swoosh, so Li-Ning developed a new logo, breaking the wave into two. Mr Li himself was involved in changing the slogan and logo, declaring the move as a revitalisation effort to portray a tough, motion and energy-driven silhouette.

The firm established a US office in Portland, Oregon, in 2007 and in January 2010 it opened its first US showroom in the same city. At the store's official opening, general manager of Li-Ning Sports USA, Jay Li, said: "Portland is the epicentre of athletic footwear. It is a great testing ground for us to introduce the brand and ease into our international presence with the requisite resources."

It would appear that Li-Ning's attempts at an "international presence" have so far not gone quite as planned. On 13 May this year, the company announced that its same-store sales for the four months ended 30 April 2011 grew at a low-single-digit pace compared with the same period last year. A statement from Li-Ning said: "The group believes that distribution channel reform is a gradual process, and it will take time for these changes to be positively reflected in the retail sales performance. During this period of transformation, it is normal for the retail data to show signs of fluctuation, but the group is determined to continue executing the reform. Li-Ning will still stick to its full year target of mid-



Li Ning with Zhang Zhiyong, CEO of Li-Ning Company Limited.

Li Ning Company Limited

single-digit same-store sales growth for 2011."

On 24 May, three members of Li-Ning's senior management team left the company to "pursue personal interests". Chief operating officer, Guo Jian-Xin, chief marketing officer, Fang Shih-Wei, and e-commerce manager, Lin Li, all resigned.

And to top it all off, the company's staff at its Portland office has shrunk by half, from about 30 employees last year to about 15. General manager Mr Li said of the setbacks: "We're still extremely happy we're here. This is obviously where the talent pool is." However, the purpose of the headquarters has changed. "It's a learning centre based in the US to understand the US market and advance accordingly."

The company's Portland showroom and headquarters are not the only strategies the brand has used in its attempts to build its presence in the west. In 2006 Li-Ning followed the footsteps of its western competitors and became the first Chinese sports brand to launch



Li-Ning's Brassmonkey trainers are part of its spring-summer 2011 collection and feature an exaggerated top line collar and tooling, external molded heel counter and a solid rubber herringbone traction based outsole.

Li-Ning Company Limited

a limited edition trainer, the Li-Ning 001.

Li-Ning is also an official marketing partner of the National Basketball Association (NBA) and has sponsorship deals with a number of players, including Baron Davis of the Cleveland Cavaliers, Shaquille O'Neal of the Boston Celtics and Jose Calderon of the Toronto Raptors. The company has partnered with the ATP, the world governing body of men's professional tennis, and sponsors Chinese tennis pro, Zi Yan. The brand also sponsors athletes and teams outside China and the US, including Barcelona-based football club Espanyol, and Russian pole vaulter Yelena Isinbayeva. However, sponsorship deals are only one aspect of becoming internationally established. "Having an association with a few NBA stars is far from enough," said Mr Li.

According to Marshal Cohen, chief retail analyst of the NPD Group in Port Washington, New York, it's a long shot for any company to make a dent in the mature US basketball market, which is already dominated by Nike. "You could break into Fort Knox more easily than break into the basketball market," he said.

The company is also struggling to restructure its distribution network which, according to analysts, includes too many small operators. By the end of the year, the brand is expected to consolidate about 400 of more than 1,700 distributors that only operate a single franchised store.

Li-Ning Company's 2010 results showed some growth, however, with group revenue increasing by 13% to \$1.5 billion. The Li-Ning brand achieved revenue of \$1.3 billion, accounting for 92.1% of the group's total revenue and representing an increase of 13.5% as compared with 2009. "In 2010, we continued to strengthen our core competencies in branding, product, sales channel and supply chain management," said chairman Li Ning. "Nonetheless, the increasingly competitive market, growing sophistication of consumers and rapid urban development in China prompted changes in the sporting goods industry in China. This posed challenges to brand owners and instigated reforms to their business models. To meet today's consumer needs and to capture the value-driven mainstream market, based on our analysis of the development trends for the sporting goods industry in China, we must take proactive steps to initiate changes in order to enable the group to enjoy long term, sustainable growth."

On 31 December 2010, there were 7,915 Li-Ning brand retail stores in China, representing a net increase of 666 stores for the year.

Mr Li continued: "Some 10 years ago, the group found itself at a similar cross-road that called for decisive action on the direction of the group's future development. Although the process went through twists and turns, the success of the changes laid a foundation for the group's subsequent decade-long spectacular growth and reinforced the Li-Ning brand's market position today. In light of the changes China and international markets are experiencing today, we once again find ourselves in a critical moment in history when we must rise up to meet the challenges and capitalise on the opportunities available to us."

At the 2008 Summer Olympics opening ceremony, Mr Li was hoisted into the air with cables and mimed running around the stadium before igniting the cauldron. He would surely like his brand to make such a flamboyant show of success, but getting there will take more than a simple harness and pulley system. 



**Machines copycats
are killing innovation!!**

...less quality!
... no innovative ideas!
... no follow-up!
... patent infringements!

Discover a world of
INNOVATIVE and GENUINE
solutions for bonding application

1961-2011
50
ANNIVERSARY

 **macpi**
GROUP

Via Piantada, 9/D - 25036 Palazzolo sull'Oglio - Brescia - ITALY
phone: +39 030 7403611 - Fax: +39 030 7403681
www.macpi.com - mailto: info@macpi.com