

UDC 33

DOI: 10.34670/AR.2023.68.39.025

Sales strategy of the Chinese Li Ning Company in the international market

Wei Wang

Graduate Student,
Peoples' Friendship University of Russia,
117198, 10/2, Miklukho-Maklaya str., Moscow, Russian Federation;
e-mail: 1032218919@rudn.ru

Tat'yana D. Ushkats

Assistant,
Peoples' Friendship University of Russia,
117198, 10/2, Miklukho-Maklaya str., Moscow, Russian Federation;
e-mail: ushkats-td@rudn.ru

This paper has been supported by the RUDN University Strategic Academic Leadership Program.

Abstract

The global sportswear market is growing at a faster pace. In 2020, global sales amounted to \$160 billion, in 2021, according to experts, they grew to \$170.9 billion, and by 2028 their volume may increase to \$267.6 billion at an average annual growth rate of 6.6%. The sportswear market is currently undergoing a period of fundamental transformation. This is facilitated by the action of a number of new factors. These include rapidly evolving demographic and social shifts in society. First of all, this is the growth of the general well-being of the population, even despite the current crisis. This trend is pushing the fashion for a healthy lifestyle and sports. The governments of many countries are taking steps to maintain this fashion and spread the principles of a healthy lifestyle. Today, Chinese companies are interested in sales in the Russian market, but at the moment they prefer to go through Russian partner operators, linking this not so much with sanctions, but with their unwillingness to invest their own funds in building a local retail infrastructure, in wages and local taxes. In general, today Russia for investors is not an easy task with a lot of unknowns, not for beginners. In addition, the share of Russia in Chinese exports is small, about 2-3%, while the US and Europe account for more than half of the exports that Chinese businesses do not want to risk.

For citation

Wei Wang, Ushkats T.D. (2023) Sales strategy of the Chinese company Li Ning Company in the international market. *Ekonomika: vchera, segodnya, zavtra* [Economics: Yesterday, Today and Tomorrow], 13 (2A), pp. 287-294. DOI: 10.34670/AR.2023.68.39.025

Keywords

Sports, brand, success strategy, sporting goods, world market.

Introduction

In recent years, football, hockey, volleyball, basketball, athletics, skiing, figure skating, boxing, tennis have become the most popular sports, which requires appropriate equipment, clothing and footwear.

Market dynamics are influenced by the general increase in prices for sporting goods. Sport from the yard is becoming more and more elite, it is becoming more and more expensive, and many of its types are not available to everyone. Age, profession, place in the business hierarchy also affect demand. Executives and senior managers are fond of yachts, skiing, tennis, swimming. They visit country clubs and prestigious gyms and fitness clubs. But the middle class, and especially the youth, has its own requirements for sports and equipment. It is also in vogue to exercise in gyms, fitness centers or on home exercise equipment.

The sportswear market has been heavily impacted by the coronavirus. Isolation and remote work have erased the boundaries between work and leisure. People who spent weeks and months in isolation preferred comfortable sportswear made from pleasant-to-wear fabrics, which quickly transformed into indoor and outdoor clothing. As a result, high fashion entered the sportswear sector.

There has also been some shift in focus on seasonality. Now the boundaries of seasonality are blurring, although it is obvious that demand is directly related to the weather, climate and geographical conditions of the country: high demand for beachwear is in southern countries, and for winter equipment in Switzerland and Norway.

Also, the market capacity is determined by the number of professionals and amateurs. Thus, the market demand in the sporting goods industry is not only segmented, but also quite volatile.

As demand changes, so does supply. Sports have become a fast-growing and profitable business in recent years. The sporting goods industry is characterized as an oligopoly dominated by a few multinational corporations competing with small local firms in every domestic market. These are such companies as Nike Inc., Adidas, Puma SE, Lululemon Athletica Inc., Under Armour, Asics, Hanes, Jockey, VF Corporation, Anta Sports, Callaway Golf, New balance, Columbia, Helly Hansen and others [Sportswear Market Size..., [www](#)].

In recent years, the production of sportswear has been developing under the influence of the digitalization of the economy. Robots, electronic sensors, 3D printing, artificial intelligence – all this finds application in the industry, speeds up and reduces the cost of production processes, contributes to the growth of customer-oriented sales, and allows organizing mass production under an individual order. At the same time, most of the products of these companies are produced in Asian countries. For example, Nike locates production mainly in Indonesia and China, Adidas in Thailand [The global market for sports equipment..., [www](#)].

Today, the leaders in the development of smart textiles are the United States and Germany. A special scientific complex Advanced Functional Fabrics of America (AFFOA) has been created in the USA, the purpose of which is to create a fabric capable of independently repairing damaged areas and responding to external changes (changing its structure in response to an increase in humidity or temperature changes), as well as storing and converting energy. A new and promising direction is the connection of sportswear to various types of sensors, which allows you to monitor pressure, pulse, calories consumed, etc. during sports or just on vacation, which makes sportswear especially in demand. The leaders in the production of nano-technologies in clothing are Puma (Germany), Umbro Ltd. (Great Britain), Adidas (Germany), Nike (USA), Columbia Sportswear (USA). In recent years, the products of the Chinese companies Anta Sports Products and Li Ning Comp have become increasingly important [Sportswear market: current trends..., [www](#)].

The largest exporters of sports goods and clothing are China, Hong Kong, as well as the United States and France, whose companies operate through their foreign affiliates. The main importers are almost all developed countries, like USA, Japan, Germany, France, Great Britain and Italy. The largest market shares are occupied by sportswear and gymnastic equipment [The global market for sports equipment..., [www](#)].

There are changes in the organization of sales: e-commerce is gaining more and more weight, including using digital platforms and marketplaces. The connection with consumers is strengthened through online communities, loyalty programs, etc.

In the future, we can expect further outstripping development of the sportswear market, which is associated with the return of major sporting events and the continued growth in the popularity of outdoor and at home sports, a focus on a healthy lifestyle.

Methods

In the study, the authors used some methods such as analysis and synthesis, induction and deduction, historical and logical, abstraction and concretization.

Results

Li-Ning was founded in 1990. Today is a leading sports brand in the sports industry in China. The company got its name in honor of the famous Chinese gymnast, Mr. Li Ning. The product range manufactured by Li-Ning includes various sports goods (sports shoes, badminton, basketball equipment, clothing and accessories for sports and recreation) [About Li-Ning, [www](#)]. Today, the company has its own mono-brand retail network throughout China. Most of the stores are owned by Li-Ning itself, part of the sales are realized through local distributors. The company pays special attention to control over the work of the official distributors of the franchise network, both in China and in other countries. Every year, the company conducts gigantic marketing research that helps it develop successfully and build a further development strategy.

Since the founding of the company, Li-Ning has been actively involved in the development of the sports Olympic movement at the state level. Li-Ning became the first official sponsor of the Chinese team at the Asian and Olympic Games. Since 1992, the company has provided sports equipment and dress uniforms for the awards ceremony for the Chinese Olympic team. At the 2000 Sydney Olympics, the dress uniform with the national symbol of China delighted the Olympic jury and was awarded the Olympic award for the best design of the Olympic dress uniform.

Currently, Li-Ning is the owner of five brands: "Li-ning", "AIGLE", "Z-DO", "Lotto" "Double Happiness" [ibid.].

The development of the acquired brands helps the company in the distribution of domestic brands abroad, and also expands the presence of brands in the Middle Kingdom.

The company is actively expanding its presence in the local market in China, optimizing operations in the retail sector. Participation in the Olympic Games as an official team outfitter and sponsor provided powerful PR opportunities both locally and internationally.

Today, China is developing "mass fitness" and building 2,000 sports parks for this purpose. This will help to strengthen the culture of physical education lessons in schools. Regulators believe that such actions will help develop the country's sports industry, which could reach 5 trillion yuan by 2025 from 2.7 trillion yuan in 2020 [5].

Of course, the company has risks. The current geopolitical situation may escalate relations between

the US and China if China provides assistance to the Russian Federation, which in turn may cause another "tariff war" [Li-Ning, www].

The Company discloses financial results twice a year and publishes operating results on a voluntary basis for the 1st and 3rd quarters. Revenue in 2021 increased by 38.9%. Gross margin improved to 61.6%, also driven by higher margins for the anal brand, as well as reduced retail discounts on merchandise.

This segment's operating margin was up 7.3% YoY, to 21.4%, due to higher rental and labor costs. The pressure on the Group's operating margin came from an increase in marketing and promotional expenses (including those related to the Olympic Games), but the decrease was partially offset by an improvement in the margins of the other brands segment, as the Group's operating margin decreased by 3.5% y/y, to 22.3% [Financial analysis of Li Ning Company Limited, www]. R&D spending rose to 1.1 billion yuan from 888 million yuan, but decreased as a percentage of sales to 2.3% [ibid.].

Below are the historical and forecast financial indicators of the company (million RMB):

Table 1 - Financial performance of Li-Ning [ibid.]

Indicators	2018	2019	2020	2021	2022E	2023E
Report about incomes and material losses						
Revenue	24 100	33 928	35 512	49 328	56 834	68 255
EBITDA	6 042	9 132	11 231	14 255	15 345	18 429
EBIT	5 700	8 690	9 152	10 989	12 503	15 016
Net profit	4 103	5 340	4 831	7 720	8 525	10 238
Profitability						
EBITDA margin	25,1%	26,9%	31,6%	28,9%	27,0%	27,0%
Net profit margin	17,0%	15,7%	13,6%	15,7%	15,0%	15,0%
Cash flow, debt and dividend metrics						
CFO	4 439	7 484	7 458	11 861	12 503	15 016
CAPEX	808	1 087	851	1 493	1 720	2 066
CAPEX, % of revenue	3,4%	3,2%	2,4%	3,0%	3,0%	3,0%
FCFF	3 631	6 397	6 607	10 368	10 783	12 950
net debt	-8 777	-2 736	-3 404	-6 263	-4 604	-5 529
Net Debt / EBITDA	-1,5	-0,3	-0,3	-0,4	-0,3	-0,3
DPS, HK cent	78	67	68	158	145	209

Li-Ning is actively investing, plans to devote more than 20 billion yuan to R&D by 2030, and already has more than 1,600 patents. The company receives grants from the state "in recognition of its contribution to the development of local economies", the size of such a grant in 2021 amounted to 1.17 billion yuan, and in 2020 – 1.28 billion yuan [ibid.].

Trust in local brands and product quality is growing, and the trend towards patriotic consumption continues. The country's strategy of "dual circulation" or the need to develop the country through international trade and domestic consumption, and the promotion of "cultural self-confidence" instill a sense of pride in local brands, redirecting the focus away from international players who have dominated the market since the opening of China's borders to them. to local manufacturers.

Today, Li-Ning has found itself at the center of numerous consumer and economic trends, including both the revitalization of Chinese consumption in general, aimed at the patriotic desire to purchase products of local brands rather than their foreign competitors. The global obsession with fitness and healthy living is also good for the sports equipment manufacturer.

One of the ambitions of the Li-Ning brand is to surpass adidas and Nike in the Chinese market, but

management does not name a specific date for overcoming it. Whether Li-Ning succeeds, time will tell, the direct competitor is Anta [Income of Li Ning Company Limited, www].

Although chasing the title of the number one sports brand in your home country and the world may seem an incredibly difficult task, Li-Ning has benefited from the growing scandal between the West and China. After European and American companies publicly refused to use cotton from the Chinese province of Xinjiang due to reports of forced labor in the region, they were boycotted by the Chinese government and consumers. Among the brands that were not in favor were the main competitors - Nike and Adidas.

Today, Li-Ning, with a market capitalization of \$38.25 billion, is already among the world's largest sports giants [How to replace Adidas and Nike..., www].

Recommendations And Conclusions

Li-Ning's success is based on its strategic management approach.

1. Focus on sporting goods

Li-Ning never stops acquiring brands. All these brands have in common that they are all sports. Therefore, when talking about Li-Ning, consumers think about sports, and when it comes to sports, they think about this brand again. Maintaining a sports image is one of the reasons for success [What Chinese brands can come to Russia..., www].

Focusing exclusively on sports, the company invests the majority of its budget in this area.

2. Multi-brand strategy

The company has a large portfolio of brands covering a wide range of consumer groups, from teenagers to adults, from middle class to wealthy consumers, from sportswear to fashion.

3. Active presence both online and offline

By the end of 2021, Li-Ning had over 11,000 stores. These stores are gradually moving to direct sales, which allows them to control work, replenish stocks and redistribute goods [Manufacturer and seller of sporting goods Li Ning..., www].

4. Investment in the product

Li-Ning spends 5.5% of its budget annually on new product development and has a research center in Los Angeles, Tokyo, Seoul, Milan, mainland China and Hong Kong, with nearly 200 experts from 20 countries. So far, Li-Ning has applied for more than 900 innovation patents [ibid.].

5. Celebrity Collaborations

Current collaborations also contribute to the continued growth of Li-Ning's popularity. For example, clothing brand Soulland is no stranger to collaborating with Nike sneakers. But what the Danish label is doing with Li-Ning in their new "PRE-INTER-POST" collection is something else. The project explores running through a new lens, creating a product that affects the different phases of running. In fact, it is a continuation of what was before, and repeats the work with two completely different models of sneakers. This is embodied in both clothing and footwear, the first of which consists of GORE-TEX outerwear.

6. Sponsorship events

Li-Ning has used sponsorship deals, especially with athletes and sports teams, both in China and abroad, to raise his profile. In 2006, the company entered into strategic cooperation with the National Basketball Association, the Professional Tennis Association, the China Collegiate Basketball Association and the China Football Association. The company has also provided apparel for the Argentina national basketball team at international events including the 2008 and 2012 Summer

Olympics. A similar deal was made with the Swedish Olympic Committee.

In 2020, in honor of his 30th birthday, Li-Ning held a show at Paris Fashion Week. The show featured a 10-piece capsule collection in collaboration with Jackie Chan and sneakers designed in collaboration with basketball player Dwyane Wade.

Behind Li-Ning's success, there are several potential problems. First, the brand has spent too much time and money expanding its sub-brands. Acquiring and managing them is not an easy task.

Secondly, although Li-Ning's portfolio is diversified, one of their largest businesses is still the Li-Ning brand itself. The company hasn't always been known for high-quality products and has yet to work on that. Especially when it comes to image enhancement among millennials and middle-aged consumers.

Li-Ning is very promising to work in the Russian market. If the companies that have suspended operations in Russia decide to leave the market for good, the share of vacant space in Moscow shopping centers may exceed 30%.

Since the imposition of sanctions, only the Li Ning brand has come to Russia. In April 2020, his first store appeared in one of the shopping centers in Krasnodar. At the same time, in 2018 the company announced its intention to open 15–20 outlets in Moscow and St. Petersburg in the near future. It was also Li Ning who in 2009 signed a record-breaking contract for athletics with two-time Olympic champion Elena Isinbayeva for \$ 7.5 million over five years of cooperation. And given that, according to Rospatent, the company registered the trademark "Linen Sports (Shanghai) Company Limited" back in 2004, we can say that the Chinese have been going to open their own store in Russia for 18 years [Sports goods in 2021..., www].

Meanwhile, the main sports competitor of Li Ning among compatriots, the Anta brand, already has 24 points in Russia in 17 cities of Russia and, judging by the search for potential wholesale partners on the Russian-language website, does not plan to stop there [The global sporting goods market will grow..., www].

Today, Chinese companies are interested in sales in the Russian market, but at the moment they prefer to go through Russian partner operators, linking this not so much with sanctions, but with their unwillingness to invest their own funds in building a local retail infrastructure, in wages and local taxes.

In general, today Russia for investors is not an easy task with a lot of unknowns, not for beginners. In addition, the share of Russia in Chinese exports is small, about 2-3%, while the US and Europe account for more than half of the exports that Chinese businesses do not want to risk.

References

1. *About Li-Ning*. Available at: <https://lining.ru/> [Accessed 12/12/2022]
2. *Financial analysis of Li Ning Company Limited*. Available at: <https://porti.ru/company/analysis/> [Accessed 12/12/2022]
3. *History of Li-Ning*. Available at: <https://uniqsport.ru/> [Accessed 12/12/2022]
4. *How to replace Adidas and Nike: 6 major sports brands in China*. Available at: <http://ekd.me/2022/03/> [Accessed 12/12/2022]
5. *Income of Li Ning Company Limited*. Available at: <https://ru.allstockstoday.com/> [Accessed 12/12/2022]
6. *Li-Ning – made in China*. Available at: <https://mcmag.ru/> [Accessed 12/12/2022]
7. *Manufacturer and seller of sporting goods Li Ning from China intends to open 15-20 own stores in St. Petersburg and Moscow*. Available at: <https://www.dp.ru/> [Accessed 12/12/2022]
8. *Sports goods in 2021: development prospects in the new reality*. Available at: <https://vc.ru/> [Accessed 12/12/2022]
9. *Sportswear Market Size and Future Growth Prospects 2022 Global Industry Share, Latest Opportunities, Key Dynamics and Forecast to 2030*. Available at: <https://translated.turbopages.org/> [Accessed 12/12/2022]
10. *Sportswear market: current trends and expectation of change*. Available at: <https://legprom.review/> [Accessed 12/12/2022]
11. *The global market for sports equipment and clothing will grow to almost \$1 trillion by 2031*. Available at:

<https://www.vedomosti.ru/> [Accessed 12/12/2022]

12. *The global sporting goods market will grow by 25% by 2025*. Available at: <https://profashion.ru/> [Accessed 12/12/2022]

13. *What Chinese brands can come to Russia and why everything is not so simple*. Available at: <https://www.rbc.ru/life/news/> [Accessed 12/12/2022]

Стратегия продаж китайской компании Li Ning на международном рынке

Ван Вэй

Студент,

Российский университет дружбы народов,

117198, Российская Федерация, Москва, ул. Миклухо-Маклая, 10;

e-mail: 1032218919@rudn.ru

Ушкац Татьяна Дмитриевна

Ассистент,

Российский университет дружбы народов,

117198, Российская Федерация, Москва, ул. Миклухо-Маклая, 10;

e-mail: ushkats-td@rudn.ru

Аннотация

Мировой рынок спортивной одежды растет быстрыми темпами. В 2020 году мировые продажи составили 160 млрд долларов, в 2021 году, по оценкам экспертов, они выросли до 170,9 млрд долларов, а к 2028 году их объем может увеличиться до 267,6 млрд долларов при среднегодовом темпе роста 6,6%. Рынок спортивной одежды в настоящее время переживает период фундаментальных преобразований. Этому способствует действие ряда новых факторов. К ним относятся быстро меняющиеся демографические и социальные сдвиги в обществе. Прежде всего, это рост общего благосостояния населения, даже несмотря на нынешний кризис. Эта тенденция подталкивает моду на здоровый образ жизни и спорт. Правительства многих стран предпринимают шаги для поддержания этой моды и распространения принципов здорового образа жизни. Сегодня китайские компании заинтересованы в продажах на российском рынке, но пока предпочитают идти через российских операторов-партнеров, связывая это не столько с санкциями, сколько с нежеланием вкладывать собственные средства в построение локальной торговой инфраструктуры. Сегодня Россия для инвесторов – непростая задача с массой неизвестных. Кроме того, доля России в китайском экспорте невелика, около 2-3%, тогда как на США и Европу приходится более половины экспорта, которым китайские предприятия не хотят рисковать.

Для цитирования в научных исследованиях

Ван Вэй, Ушкац Т.Д. Sales strategy of the Chinese company Li Ning Company in the international market // Экономика: вчера, сегодня, завтра. 2023. Том 13. № 2А. С. 287-294. DOI: 10.34670/AR.2023.68.39.025

Ключевые слова

Спорт, бренд, стратегия успеха, спортивные товары, мировой рынок.

Библиография

1. About Li-Ning. URL: <https://lining.ru/>
2. Financial analysis of Li Ning Company Limited. URL: <https://porti.ru/company/analysis/>
3. History of Li-Ning. URL: <https://uniqsport.ru/>
4. How to replace Adidas and Nike: 6 major sports brands in China. URL: <http://ekd.me/2022/03/>
5. Income of Li Ning Company Limited. URL: <https://ru.allstockstoday.com/>
6. Li-Ning – made in China. URL: <https://mcmag.ru/>
7. Manufacturer and seller of sporting goods Li Ning from China intends to open 15-20 own stores in St. Petersburg and Moscow. URL: <https://www.dp.ru/>
8. Sports goods in 2021: development prospects in the new reality. URL: <https://vc.ru/>
9. Sportswear Market Size and Future Growth Prospects 2022 Global Industry Share, Latest Opportunities, Key Dynamics and Forecast to 2030. URL: <https://translated.turbopages.org/>
10. Sportswear market: current trends and expectation of change. URL: <https://legprom.review/>
11. The global market for sports equipment and clothing will grow to almost \$1 trillion by 2031. URL: <https://www.vedomosti.ru/>
12. The global sporting goods market will grow by 25% by 2025. URL: <https://profashion.ru/>
13. What Chinese brands can come to Russia and why everything is not so simple. URL: <https://www.rbc.ru/life/news/>