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Global Branding: Li Ning vs. Nike

The aim of this paper is to discuss the global branding and marketing strategies of Li-Ning, one of the leading sportswear companies in the People's Republic of China, as it tries to regain the market in China, in hopes of eventually pushing past the current powerhouses of Nike and Adidas. Once they have succeeded in this task, Li-Ning will then take their branding to the international level. The data gathered shows evidence of the marketing steps and strategies they have taken in order to accomplish their current goal of gaining more popularity at home. The data also shows how similar Li-Ning's strategies are to that of Nike and Adidas and how they are trying to separate themselves in a unique way.

The theories of asymmetrical interdependence, cultural proximity and globalization are discussed in order to make sense of the data I have discovered. This paper will conclude that Li-Ning has made tremendous strides on the home front due to adopting similar marketing and branding strategies from those companies that have proven to be successful. Even though they are still behind, they have come a long way. Only time will tell if they can make the final jump to

No.1 and beat out their foreign competitors. Li-Ning has the opportunity to not only drive away the global powerhouses of Nike (United States) and Adidas (Germany), but also to compete with them on an international level and perhaps within their own countries.

Theory

Joseph Straubhaar introduces two crucial concepts to global media and communications: asymmetrical interdependence and cultural proximity, of which the latter is heavily dependent upon the role of the audience. In his essay, "Beyond Media Imperialism: Asymmetrical Interdependence and Cultural Proximity," he states that asymmetrical interdependence is not the result of a one-way flow of media products from First World countries such as the United States to Third World countries around the world. Instead, it is a constant exchange between the spectrum of cultures that enable a two-way communication flow and an equal dependence upon another. Cultural proximity is the idea of people preferring television programming in which the content is familiar to them and they can relate to it.

In the 1960s and 1970s, the United States was charged with dominating global media for its own advantage, which challenged the one-way flow of news and information they claimed would benefit the development of most countries (Straubhaar 40). The television growth in Brazil through major broadcaster TV Globo and the use of telenovelas was heavily influenced by American models, yet it progressed enough to be able to fully compete with the US. "The result was the mediation and adaptation of aspects of the American model via Brazilian elites who then reinvented their own version of capitalist, commercial media" (48). This commercialism of Brazilian media is the result of going beyond American influences and tailoring their own home market, culture, economy and environment to their specific needs.

It should be noted that national culture is not uniform and is instead, heavily dependent upon social class. For example, the "popular classes" of the lower-middle class, the working class, and the poor show a great liking towards national and local productions (51). Elites and the better educated tend to prefer US programs such as mini-series and music (51).

The role of the audience plays an integral role in determining the progress of the global media, especially those in Third World countries.

Straubhaar labors the point that “the role of the audience is seen within supposedly dependent situations, moving from a view of passive, dominated audience to one of an active audience, conditioned by class, age, gender, and interests, and tending to prefer and select local or national cultural content that is more proximate and relevant to them” (43). But it is important to keep in mind that despite such strides, many countries still continue to rely heavily upon productions from outside of their nation and region.

Roland Robertson introduces the theory of globalization, which states that a broad, global concept or idea, such as a sneaker, can appeal to a specific group of people by focusing on a particular need at a local level. This can not only be incorporated within the specific design of the shoe as it relates to the smaller, more compact feet of the Chinese people, but also can be utilized on a creative level as well (i.e. integrating national colors or themes).

Background and Company History

During the 1984 Olympics in Los Angeles, Chinese gymnast Li Ning made a name for himself when he captured three gold medals, two silvers and a bronze. In 1990, he noticed that China did not brand a high-quality sneaker in the sports performance arena. This is how the Li-Ning Co., Ltd. was born. Li created his company by taking the global form of a sneaker and localizing it to a specific need in a specific country; in this case, sports performance in China. “Anything Is Possible” became the slogan, one that is eerily similar to Adidas’ “Nothing Is Impossible”, while the checkmark logo is jarringly comparable to Nike’s “swoosh.” Li-Ning is modeling itself on international companies who have already proven to be successful, yet adapting to its home market, economy and culture to create a brand specified for the people of China. This marketing strategy best exemplifies the academic concepts introduced by Straubhaar and Robertson.

Li-Ning appeals to the Chinese culture while the global media interaction consists of the “development of the appealing product, the expansion of its production, a continued expansion into export, and the eventual peak as markets and audiences became saturated” (Straubhaar 41). As a result, the rising local business of Li-Ning in China would not only actually compete with powerhouses Nike in the United States and Adidas in Europe, but audiences would eventually prefer products in sports performance such as sneakers and apparel that relate to their own culture rather than those that weren’t. Li-Ning’s marketing and branding strategy reflects the concept of cultural proximity. Zhang Zhiyong, President and CEO of Li-Ning said of Nike and Adidas, “They might have shoes that look like ours and everyone has things like shock absorbers, but they don’t have that eastern feeling to them like our shoes have. Every person from every country has different feet and we know how to make shoes that are comfortable for the Chinese population” (Rovell).

This task is easier said than done, however. The branding culture in China is unlike anything known of in the West. In the West, brands mean power, status, and loyalty. The market of the East has the cheap, “made in China” stigma attached to it, where brand names are usually knock-offs. Joe Nocera of the New York Times said, “I went to a big five-story mart called the Silk Market, which was lined with tiny retail outlets all selling ‘branded’ goods of every sort ... but they didn’t say, ‘Do you want a purse?’ They shouted: ‘Louis Vuitton! Gucci! Armani!’ All the goods are knock-offs, of course. But it certainly spoke to the power of brands — a fake Louis Vuitton was somehow ‘better’ than a better-made unbranded purse” (Nocera). This is the market culture that Li-Ning is facing.

In big cities like Shanghai and Beijing, Western brands dominate over domestic brands partly because of the elites and better-educated people in the populous; high-end cities tend to favor Western brands like Nike. On the other hand, the lower middle and

working classes of the smaller cities tend to favor the local, domestic products of Li-Ning (Straubhaar). Quite aware of this fact, Li-Ning’s promotion campaign is only concentrating on the second-tier and third-tier cities, it’s most important markets. “Although Li-Ning hopes to compete with Nike and Adidas in first-tier cities, where consumers wield the highest purchasing power, its fiscal reports showed that the Shanghai and Beijing markets’ contribution to the corporation’s income structure fell from 10% in 2004 to 7% in 2005” (Cheung). Guo Jianxian, chief operating officer at Li-Ning “mentioned that the key for Li-Ning is to cultivate consumers in the second-tier and third-tier cities and draw them closer to sports” (Yifei). Several hundred outlets will open nationwide by the end of 2008, mostly in these cities. “The purchasing power in second-tier and third-tier cities in China is really strong. Everybody has their eyes on those markets, and Li-Ning must go there,” said Guo (Yifei).

It is in these areas, where the population is well over one million, that Li-Ning will be able to establish itself simply because Nike and Adidas have not yet infiltrated them. Guo suggested to Li-Ning executives “to try to come up with shoes that have a distinctly Chinese flavor and would appeal, in an almost patriotic way, to Chinese consumers” (Nocera). Li-Ning responded with the creative and expensive green shoe that was made in honor of the famous Chinese soldier, Lei Feng, who died in 1962 (Nocera). Nike first established itself as a premier sportswear and footwear company before it became popular. “Li-Ning has still has not convinced consumers that it is a professional brand of sports equipment” (Yifei). In order to accomplish that, Li Ning needs to figure out their unique identity, who they want to target and how they will establish themselves in China before they can establish themselves on an international stage. Chiang Jeongwen, a Chinese marketing professor at the Cheung Kong Graduate School of Business was brought in to give marketing advice to Li-Ning. “When kids wear Nike shoes, they feel as though they are the cool kids on the block. I said to

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the Li-Ning executives, 'What does it mean when you wear a Li-Ning shoe?' They couldn't define it" (Nocera). Chiang's point was not to copy Nike's model. Instead, Li-Ning should be creating a distinct personality that would separate them from their competitors.

During the 1990s, Li-Ning dominated the Chinese market. However, once the foreign companies of Nike and Adidas were allowed inside, Li-Ning found itself struggling to maintain their No. 1 position and by 2004, it had dropped to third with only 18 percent of the Chinese market share while their Western competitors each had more than 20 percent. "There is a powerful sense among Chinese consumers that domestic brands are inferior—and a distinct lack of confidence among Chinese companies in the allure of their own brands" (Nocera). Li-Ning now faces the challenge of emerging as a reputable domestic brand in a country where no one believes in a Chinese brand. "And if these same companies want to export their own branded goods, which is where the real profit lie, they'll have to learn how to create distinct identities that appeal to consumers—in other words, brands" (Nocera). Chiang, the marketing professor said, "When you get right down to it, Nike is a branding company'; to compete, Li-Ning would have to become one as well" (Nocera).

COO Guo stressed that "in the coming years, we are going to have to find a Jordan for Li-Ning. Nike had Jordan. Where is our Jordan?" (Nocera). Michael Jordan had not only the athletic ability and fame, but charisma

to bring in 5 percent of Nike's sales and \$2.6 billion of profit generated from selling Jordan apparel (Yifei). Right now, there is not a single athlete sponsored by Li-Ning that can compare to Jordan or be expected to bring in that type of revenue. China's biggest athlete, Yao Ming, is not even sponsored by Nike, but rather, Reebok. However, China's debatably second biggest athlete, 2004 Olympic gold medal hurdler, Liu Xiang, is sponsored by Nike, which has a full shoe and apparel line just for him. Charlie Denson, the Nike Brand president said, "When I think of Liu Xiang, I think of Michael Jordan in the mid 80s, I think of what Tiger Woods and LeBron James mean to Nike in the United States or what Ronaldinho in Europe and in the world of football" (Revell). This is how Nike remains No.1 in the Chinese market.

Current Strategy

How can Li-Ning expect to compete on a global level without a Chinese front man to lead the way? Their answer: "Part of Li-Ning's marketing strategy is to attract interest among the Chinese customers by using images of Western athletes" (Cheng). Those athletes include NBA stars Shaquille O'Neal, Damon Jones and recent endorser Baron Davis. "This cooperation marks another important step toward the international expansion of Li-Ning," stated the press release on Li-Ning's website. Zhang Zhi, CEO of Li-Ning said, "Professionalism and internationalization have always been the operation targets of Li-Ning. This cooperation represents Li-Ning's another important breakthrough in the

basketball arena. We will continue to develop such win-win cooperation, in order to make Li-Ning become the brand of choice for basketball players and basketball fans and bring the brand concept, 'Anything is Possible,' into full play on the basketball court" (Li-Ning).

Li-Ning first achieved global status in 2002 when it signed a deal with the men and women's national basketball teams in Spain. In 2004, they became the first domestic sportswear company to appear on the main board of the Hong Kong Stock Exchange. They formed a partnership with the NBA in 2005 that allowed them to use the league logo as well as sponsor league players to promote their shoes and apparel. In 2006 they signed Damon Jones and Shaquille O'Neal to endorse their products. In 2008, Baron Davis was added to their roster (Liu and Young). Earlier this year, Li-Ning opened its first US office in Beaverton, Washington, Nike's backyard. They hired Alan Hardy, a senior designer at Nike and design director at Converse (which is an affiliate of Nike), to lead the direction of Li-Ning's new outpost in the United States. In 2004, they also hired Ned Frederick, a former research director at Nike, and Daniel Richarch Design, which has also worked with Converse, to develop technology that could compete against the Nike Air lineup (Balfour). "Having expertise in a region you hope to expand into makes a world of sense," said Paul Swangard, managing director of the University of Oregon's Warsaw Sports Marketing Center (Hunsberger). Li-Ning is using former Nike design executives who once

served for their biggest competitor, to ultimately push past them on the international level. And they're doing it in Nike's own backyard.

This isn't the first time Li-Ning has used Nike as a foundation for their success. "It's gleaming corporate campus near Beijing, complete with an indoor swimming pool, basketball courts, and a climbing wall, seem like a page out of Nike's playbook" (Balfour). Nike's world headquarters, located in Beaverton, Washington, consists of 16 buildings on 177 acres (Nike). In the 1980s, Nike developed a light-asset based operational model that "entails outsourcing product manufacturing and retail and distribution business, allowing the company to concentrate efforts on design, research and development, as well as a sales and marketing strategy dominated by spokesperson and advertising. This generates higher rates of investment return with lowered investment input" (Cheung). Li-Ning then used this model to enter the high-end market and directly compete with Nike in 2003. In 2004, they focused primarily on developing basketball products, specifically shoes, through such strategies of sponsoring international sporting events and employing celebrity spokespeople (Cheung). "Mr. Guo and the other Li-Ning executives have big plans for Li-Ning sneakers. Although they are serving the domestic market almost exclusively, they want to begin exporting to Europe and the United States—and go toe-to-toe abroad with Nike and Adidas, as it is currently trying to do in China" (Nocera). Li-Ning currently generates only 1 percent of its \$700 million in revenue abroad, but hopes to be generating over \$2 billion in revenue or 20 percent, to come from exports by the year 2013 (Nocera). The perfect jumpstart to that plan: the 2008 Beijing Olympics.

On the greatest world stage, the Beijing Olympics provided Li-Ning with a much-needed golden opportunity to become an international icon. Founder Li Ning captivated an estimated 4 billion people when he ran around the perimeter of Beijing's National Stadium, the "Bird's Nest," while attached to cables that held him 75 feet in the air, before

lighting the Olympic cauldron (Hunsberger). Not to mention, he was sporting his own Li-Ning apparel and shoes. The results: Li-Ning's share price rose 6 percent overnight (ChinaRetailNews). "About 4.4 million Li-Ning shares usually trade everyday. But on Friday, 9.4 million shares traded. Monday, another 9.8 million shares were traded" (Guppy).

During the Olympics, Li-Ning sponsored the Chinese gymnastic, table tennis and diving teams as well as a variety of other teams from around the globe, including the United States table tennis team, Sudan's track and field athletes, and Sweden's Olympics delegation (Balfour). "Call it paper-tiger marketing. Li-Ning tries to create the illusion of being a global player despite its near-total reliance on its home market. In addition, the company is running an ad campaign called 'One Team, One Belief' featuring European, African, South American—and Chinese—athletes standing | in a stadium with their hands across their hearts" (Balfour). This image can be seen on Li-Ning's company website.

Li-Ning also took a different approach from its global competitors in Beijing. Adidas spent \$80 million to be an official Olympic sponsor, meaning that whatever country medaled at the podium would be sporting their logo. Nike decided to sponsor 22 of 28 Chinese teams who competed in their gear. Li-Ning came up with the unusual marketing strategy of putting their trademark on the Chinese television journalists. "With the announcer's strategy, we needed a platform for publicizing our product and journalists can give us better exposure than I can," said Zhiyong (Rovell). This was a surefire way to separate itself from the competition and it proved to be successful in the short-term. Knowing that it is a smaller business with a limited budget, Li-Ning was effective and intelligent in its marketing campaign during the Olympics. "They are the most efficient marketer for the Olympics in terms of spend vs. return," said Greg Paull, a partner at a market researcher R3 in Beijing (Balfour). Li Ning now faces the challenge of riding the Olympic wave of momentum for as long as possible until it can

think of another clever marketing strategy that will help create global branding awareness.

Discussion

So where does Li-Ning stand now that the Olympics are over? Still behind Nike. Still behind Adidas. The main reason for this is not a lack of leaps and bounds the company has made due to its ability to become asymmetrically independent of its competitors, nor is it for a lack of cultural proximity and the growing appeal it has among the people of China. Its marketing strategies are modeled off of Nike and have proven to be successful while its ability to globalize a broad form of a product has also been more than capable. Instead, the problem for Li-Ning is rooted in its lack of confidence as a legitimate sportswear company, thus it has no solid foundation for its identity. "To compete with the big names either at home or abroad, Li-Ning may need to decide what it wants to be. Today, it's difficult to say whether it's a trendy brand for urban teenagers or a bona fide performance shoemaker, and simply creating an image of global reach won't clear that up. The challenge is to link to a brand idea that is the basis for enduring loyalty," said Tom Doctoroff, chief executive officer for China ad agency JWT (Balfour). The paper-tiger marketing and having journalists instead of athletes wear their logo are ways in which Li-Ning offers a lot of show with little substance. There is no consumer loyalty with that.

The lack of confidence in its products has caused consumers to have an equal lack of confidence. "Li-Ning shoes were purposely priced 20 percent below their Nike and Adidas equivalent ... Li-Ning is simply not confident that its current brand can stand up to its big Western competitors" (Nocera). The difference in company ideology between Nike and Li-Ning is critical and directly proportional to its successes. Li-Ning COO Guo said, "Why should someone buy Li-Ning shoes? It's about value, design and an overall satisfying retail experience" (Cheng). He told Nocera, "What the consumer cares about is the design, material and professional performance" (Nocera).

Nocera responded, "I thought to myself: that's not what they believe at Nike" (Nocera). Charlie Denson, president of Nike Brand believes "it's about youth, it's about excitement, it's about passion. Our focus has always been around the athlete ... and supplying them with the best possible product to pursue their dreams and goals" (Rovell). While Nike is focusing on and more importantly, promoting, the athlete, Li-Ning is focusing on and promoting the company. People invest in companies that put their emphasis of investment on the consumer. Nike is personable. Li-Ning is profitable. Nike has the confidence and the mindset that they will continue to grow and improve and push themselves to provide better sportswear, shoes, equipment and apparel for all future athletes. "The Olympics are a great point in time and the Beijing Olympics are going to transcend the world of sport. They will become a monumental event throughout the world. It represents an incredible opportunity for us as a brand to participate in the world of sport at the highest level on the biggest stage. It's a great checkpoint for us but its not a destination," said Denson (Rovell).

In order for Li-Ning to ever reach the status and success that Nike has, both at home and on a global level, it needs to not only continue to model their marketing strategies from Nike, but also must adopt their mindset as well. They need to establish a company identity and have the confidence that they will be successful. Li-Ning needs to look at catching up to and surpassing Nike, not as a destination, but as a checkmark, as their logo simply suggests.

Li-Ning has been facing troubled times ever since China opened its market to foreign businesses, but the company has taken such tremendous strides in their marketing and branding operations that even Nike and Adidas have started to pay attention. Li-Ning is coming very close to beating Nike at its own game, but right now, Nike still remains a dominant force with international status: two things Li-Ning has yet to accomplish. Will Li-Ning ever recapture its market at home? Will it ever become an international player in the sportswear business? The possibility is certainly out there, but only time will tell.

by Kristen Dalton