Analysis of Li Ning's successful transformation under positioning theory

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Abstract. "Li Ning" is a well-known Chinese sporting goods company ("Li Ning Company") The brand had achieved great success in the Chinese market. However, due to increasingly tough international competition and the increasing proportion of the market share of foreign brands in China, Li Ning's business situation between 2012 and 2015 was not promising. Against this backdrop, Li Ning took the initiative to transform the company's brand strategy with a new image and a new slogan and achieved significant results. 2015 saw Li Ning end three consecutive years of losses. After reversing the crisis, Li Ning underwent another comprehensive strategic adjustment, with the brand focusing on rejuvenation and internationalisation. This adjustment had little effect in the short term but achieved the desired results in the long-term adjustment and refinement. In 2022, Li Ning, the leading Chinese professional sports brand, made its debut on the list of top 50 apparel brands released by strategic consulting firm Brand Finance and became Li Ning the fastest growing brand on the list. This paper analyses Li Ning's business strategy using positioning theory in the context of the company's recent financial statements and considers the company's successful transformation. By analysing the reasons for Li Ning's successful transformation, the paper provides a reference for other sports brands and points out the specific role of positioning theory in brand transformation.

Keywords: Li Ning Company, Transformation, Positioning Theory.

1. Introduction

In recent years, many scholars have researched the successful transformation of Li Ning, and by summarising Li Ning's business model, business strategies and so on, a unique set of theories has been formed to give entrepreneurs a basis for their business ventures. However, few of the many articles that have studied Li Ning's successful transformation have used positioning theory. The definition of a brand's positioning is the framework that determines the implementation of the brand vision and communication related to it, and more importantly, it also determines the general direction of future brand development, as brand positioning is the basis for gaining a competitive advantage in a context of global change. Nowadays, the concept of brand building and management is widely discussed by scholars in the relevant literature. To address the gaps left in the existing research, this paper investigates and analyses the problems and solutions that emerge from the positioning process that constitutes the Li Ning brand and indicates whether using the positioning model for brand transformation is feasible for other brands.

1.1 Foundation and initial success

Li Ning Sporting Goods Co., Ltd. was founded in 1990 by Li Ning, the "Prince of Gymnastics", and from 1991 to 1994, Li Ning decided to go the route of sponsoring sports events and started to diversify its products. Research has proven that brands can leverage the marketing of sports teams, athletes or events to gain exposure in front of millions of consumers [1]. In addition, brands can drive marketing by being among the majority of fans who play sports. Thus far, Li Ning has started selling sportswear, Li Ning shoes, and even Li Ning belts and Li Ning ties. Li Ning's strategy proved to be successful and the company began to make a profit in 1993, with annual turnover growing at a rate of nearly 100%. Li Ning developed from a single sports apparel at the beginning to a specialized
sporting goods company with many product series such as sports apparel, sports shoes and sports equipment. As a leader in China's sporting goods industry, Li Ning's sales revenue grew at an average annual rate of 35.1% from 2001 to 2005, and its net profit grew at an average annual rate of 39.3%. According to the "2003 Famous Sports shoe Brand Value Research Report" released by Zero Research Group, Li Ning ranked second only to Adidas and Nike in the domestic market [2].

Despite its remarkable achievements, Li Ning's products, like countless Chinese sportswear manufacturers, are producing cheap products or copying foreign designs, with little investment in specialized brand design and management. Some scholars believe that when a company has a focused branding strategy, all efforts result in more sales, more preference, loyalty and appeal for the product, and greater profits for the company [3]. Li Ning once said that "if Li Ning wants to be the number one sports brand in China, we must become an international brand", and since 2004, Li Ning has gradually focused its corporate strategy and market positioning on professional Since 2004, Li Ning has gradually focused its corporate strategy and market positioning on professional sporting goods, and once again, Li Ning's decision has proven to be correct. According to the company's financial report, in 2006, Li Ning's turnover increased by 29.8% compared to 2005, reaching 3.18 billion RMB, which is generally considered a threshold for medium-sized enterprises to enter into large enterprises, marking another step toward the direction of an international brand. In 2008, Li Ning became the torch bearer of the Beijing Summer Olympic Games, Li Ning signed an agreement with China Central Television Sports Channel and signed NBA stars and other operations directly or indirectly making Li Ning's market value increase by 125.8%, ranking the second among similar listed companies in the world.

1.2 Market failure post-Beijing-Olympics

In 2009, Li Ning's domestic sales surpassed those of Adidas, second only to Nike, and the momentum of development was as strong as ever. However, the good times did not last long. In 2011, Li Ning had a large inventory backlog, and in 2012, a large number of layoffs and store closures, with an annual loss of nearly 2 billion yuan, followed by two years of continuous losses, and also lost its reputation as the number one sports brand in China. During the crisis, Li Ning's top management but frequently replaced, and tried to carry out many business strategies, but also failed to make substantial changes to the problem. Investigation reveals that a poorly aligned management plan can negatively affect any business. As a newly appointed manager comes to a new environment or position, each step of the plan he/she handles and modifies may drag down the entire company [4]. According to the investigation, after a series of incidents in which brand strategy was questioned, management turmoil and profit margin continued to decline, Li Ning's orders for footwear products fell by double digits in the first half of 2012, and orders for clothing products fell by more than 20% year on year. Li Ning's net profit has fallen to the lowest of the five mainland sports goods companies listed in Hong Kong [5].

1.3 Transformation success phase

Gymnastics" Li Ning was back in charge of the company, in just two years to save the wild. According to the results announced by Li Ning, the company turned a loss into a profit in 2015, ranking among the top domestic sports brands in terms of revenue and achieving a net profit of 113 million yuan. Subsequently, Li Ning announced the exclusive operation of the U.S. women's professional dance sportswear brand Danskin in mainland China and Macau, focusing on entering the women's sports market. In a short span of two years, with foreign giant Adi Nike on the left and the rise of domestic sports brands led by Anta on the right, Li Ning not only regained its position but even made the company profitable again, which was not easy. In the face of the decline, Li Ning began to focus on product quality and experience, to the experience of sports, product use experience, purchase experience, and service experience more closely integrated; Li Ning believes that: intelligent sports will be the future of the respected innovation point. Because sports is a culture, people need to deepen the understanding of their own sports process, as well as interact with the groups involved in
sports, like social interaction, so intelligence will play a role in sports; in addition, Li Ning in 2018 in line with the trend of fashion development, leading the debut of the new product in New York Fashion Week, in the fashion week show Li Ning company brought an impressive fashion show, the fashion show to The theme of this fashion show was "enlightenment", which was a perfect fusion of sports spirit and Chinese style, and Li Ning attracted the attention of the world and took a big step towards the international market with its perfect transformation from Chinese manufacturing to Chinese design.

2. Reason Analysis

After 2010, Li Ning Company experienced a large-scale closure of offline physical stores and the accumulation of goods from distributors, which caused the company to experience a decline in profits since 2010. The following are the main reasons.

2.1 Environmental factors

Beijing Olympic Games opening, Olympic boost effect contraction [6], the overall industrial environment excess, enterprise overcapacity: Beijing Olympic Games brought a huge boost effect, the industry appeared false prosperity (by the positive impact of the 2008 Beijing Olympic Games, Li Ning sales revenue reached a record high of 9.479 billion yuan in 2010, net profit of 1.108 billion yuan), each enterprise crazy enclosure type The expansion of offline stores, and each agent ordered a large number of wholesale goods beyond the actual consumption of consumers; making the overall domestic industry surplus, which led to more intense competition with the track [7], and also made Li Ning's excess capacity, a large number of goods piled up, and because of its own low-cost positioning crowded a large number of domestic brands, the competitive pressure is extremely.

2.2 Market Reception factor

The original audience has low consumption ability and small group size, which cannot quickly digest the goods produced after the enterprise's overcapacity, not to mention that they cannot make enough profit from it. Li Ning and Anta and many other domestic sports brands are mainly targeted at China's post-70s and post-80s, a group with a low propensity to consume sports goods, making the backlog of inventory can not be quickly digested. After the brand transformation, the original post-70s and post-80s loyal users will not buy the sudden change of the brand and the relatively expensive pricing, and may even resist the psychology, which directly leads to the loss of a large number of loyal users accumulated over a long period, and secondly, the short-term transformation in product research and development, public relations publicity has not yet caught up with the increase in pricing, the product itself can not be recognized by young consumers, the long-term Perception makes consumers stay in the "domestic sports brands are cheap sports products" perception.

2.3 Strategic decision factor

Li Ning brand realized the brand problem and tried to transform, but it did not go well in the beginning. Li Ning's in 2011 there was a regression in the overall turnover, a large number of stores closed, this trend made Li Ning company decide to transform, the main consumer target from the 70s, 80s to the more youthful 90s, looking at the more dynamic and creative market of young people, the products are not limited to casual sports, began to try in more areas, such as professional sports field (basketball), trendy fashion field, etc., which also prompted the product pricing began to try to improve. The sudden transformation was accompanied by a conflict with the original brand concept, brand values, and brand image, and at first Li Ning kept an experimental attitude towards the direction of the transformation, which can be seen by their constant change of brand slogan, and the uncertainty of Li Ning's attitude towards the brand transformation in 2012.
2.4 Diverse factors

Brand positioning, lack of consumer power, and the fixed consumer outlook of the original consumer group, in general, affected Li Ning's rapid decline during this period. The result was that hardly any group of consumers recognized the products of the transformed Li Ning, and the massive pile of inventory due to overcapacity remained untouched in all corners of China. This caused Li Ning's sales to slip to a size of 5.824 billion yuan in 2013, with a loss of 392 million yuan, and the number of stores shrunk from more than 8,000 at its peak to more than 5,600 in 2015.

2.5 Summary

In fact, the decline of Li Ning Company during this period was caused by a combination of factors, but the most important are the "environmental factors" and "decision-making factors" that caused Li Ning to experience a significant industry decline.

The relaunch of the rebranding program from Li Ning represented the need to reposition the brand because of wrong or improper positioning, change of environment, or change of strategy. In addition, with the market competition intensifying, homogenization and homogenization becoming more and more serious, the brand needed to invent psychological differences, establish the brand's dominant position, how to capture the consumer's mind resources, and implant the brand positioning into the customer's psyche. After market research and numerous discussions, Li Ning decided to challenge Philip Kotler's advice - "It is very difficult to change a positioning after it has been established.

3. Solving the problem

The relaunch of Li Ning's rebranding program represented a need to reposition the brand due to a wrong or inappropriate Positioning, a change in environment, or a change in strategy. In addition, as competition in the marketplace intensified, homogenization and homogenization became increasingly severe. The brand needed to invent psychological differences, establish a dominant position, capture the consumer's mind and embed the brand positioning in the customer's psyche. After market research and numerous discussions, Li Ning challenged Philip Kotler's advice: "It is challenging to establish Positioning and then change it.

3.1 Theories related to brand positioning

The concept of positioning can be understood according to the interpretation of scholars as competing for the minds of consumers and occupying a unique position in the minds of the audience [8]. According to scholarly descriptions Positioning is how a company wants its customers to perceive, think and feel about its brand compared to competing products [9]. According to this view, brand positioning is therefore highly subjective in concept, as it often involves a solid personal perception of the customer and what, in the customer's opinion, a brand wants to have, and it must be distinctive from external competing brands.

But for the Li Ning brand, its brand positioning is very vague, and its personality is yet very ambiguous; the brand identity is not clear. Keller emphasizes that to achieve the right Positioning, the right point of difference (unique to the brand) and the right point of parity (related to the category but not necessarily unique to the brand) need to be established [10].

Although the communication activities of the brand are the central area of reference in the concept of Positioning, it is now emphasized that Positioning has a broader market impact and is a broad marketing activity to the market. Brand positioning, therefore, refers to all its external actions. At the same time, scholars have argued that the master determines the internal behavior of an organization [11].

However, Positioning is not what you have to do with a product. Positioning is what you have to do with the intended customer. In other words, you have to position the product in the minds of the intended customers so your product can be unique.
3.2 Related Li Ning brand repositioning study

3.2.1 Repositioning the target group

In recent years, the national per capita consumption ability has increased significantly, and the consumer demand for fashion wear has increased dramatically compared to previous years. Moreover, comparing the brand awareness and brand loyalty of NIKE and other brands, we can understand that the public has high brand loyalty to Li Ning (56%, higher than NIKE's 36.8%). Still, the crowd is older, and the consumption ability is much less than the younger generation. So Li Ning hopes to target a younger age with more spending power and is more focused on spiritual needs but making the goods younger will inevitably mean sacrificing a large part of the senior group loyal to the brand. Not everyone will pay for Li Ning's changes.

However, according to the study, the international sporting goods market has undergone significant changes in recent years, with two pronounced trends being the casualization of sporting goods and the certification of leisure products.

Another objective fact that must be seen is that Chinese sporting goods consumption is still far from mature, and most people do not buy sporting goods just for sporting needs; over 40% of Chinese people will also be utilitarian in their purchasing behavior. Along with the innovation of the new generation of young people, the post-90s and post-00s consumer groups are diversified and personalized and are more willing to pay for things that are recognized for their value. National trendy brands are fashionable and can express attitude, highlighting the cultural connotation and return of value, which precisely hits their psychology.

Since February 2018, China Li Ning's new collection has been officially unveiled to a broad customer base, through which it has expanded its traditional cultural design innovation style from footwear products to the upper and lower apparel business: at New York Fashion 2018, China Li Ning's products fused multiple elements such as nostalgic retro style, classic colorways patchwork, practical street trends, and the combination of Chinese and Western inclusion. From an objective point of view, the China Li Ning collection has become a strategic point to link and expand the Li Ning brand.

Since 2017, the China Li Ning collection has become a meaningful pivot point for the innovative design transformation of the "National Style Trend". Scholar believes that positioning is one of the key strategic pillars of a brand, so in terms of market positioning, China Li Ning has accurately grasped the direction of the "National Style", taking the "Generation Z young audience" as the main audience for its products, and through design and concept output, attaching to and guide the attitude of young people's life. As a result, China Li-Ning has gained the favour of many new generation consumers and has taken its place in the fierce market [12].

3.2.2 Product positioning change

In terms of products, Li Ning emphasized "balancing professional sports and trendy innovation," focusing on five core categories: basketball, running, training, badminton, and sports fashion, while strengthening professional sports attributes and investing more in sports technology research and development and product performance optimization, continuing to make clear to the market that Li Ning is positioning itself as a professional sports brand rather than a total In a highly homogeneous market, Li Ning's branding is not all about fashion. In a market with a high degree of homogenization, the company has found a way to compete.

And Li Ning products have always maintained the highest standards of national brands in terms of appearance and design, incorporating traditional Chinese culture and fashion elements into the sports brand DNA, differentiating itself from other national brands in terms of brand tone.

Regarding product prices, Li Ning has adopted an anchor price marketing strategy, using its flagship models to widen the gap with domestic sports brands and help the mid-range products grow. According to the new market positioning of the Li Ning brand, and with the development of the economy, consumer spending power will continue to improve, and the market for sporting goods will also become increasingly mature. If the Li Ning brand does not continue to adjust its current product
pricing strategy, it will still be priced too low, and the Li Ning brand will have to get rid of the psychological perception of being a low-end brand in consumers' minds.

In China's current market, the market for low-priced goods has been gradually shrinking. Li Ning's brand product strategy and pricing should be in line with consumer choice, with the consumer awareness of the changes and changes. Li Ning brand tightens up the low-end market and does a new positioning to extend to the high-end market. From a business perspective, the high price of the flagship model plays a role in anchoring prices, capturing the minds of consumers, improving the retail discount rate for mid-range products, and laying the foundation for price increases for high-volume products.

3.2.3 Optimise the main brand channel

Continue to optimize the construction of the leading brand channel to help improve the efficiency of directly operated and franchised shops. According to the survey, as of 31 December 2021, the number of Li Ning points of sale (excluding Li Ning YOUNG) in China was 5,935, of which 1,165 were directly operated shops, 16 more than the previous year, and 4,770 were franchised shops, seven more than the last year. Li Ning optimized its channel construction and layout, focusing on large shops in shopping malls and continuing to promote the implementation of flagship shops and other efficient large shops; promoting communication with quality retailers and improving the efficiency of retail channels, with significant improvements in shop efficiency in both directly operated and franchised channels. The average wholesale revenue of franchised stores will be RMB2,143,000, an increase of 55.22% year on year.

3.3 Research thinking and analysis results

3.3.1 Research thinking

Brand positioning needs to focus on its strengths to combat the weaknesses of similar brands and prevent similar brands from concentrating on their strengths to fight their weaknesses. Li Ning is a brand that has to find a way to differentiate itself in a homogenous sports market. Brand positioning defines the brand by pointing out the needs and expectations of the target group that have been determined in a competitive context and can compete for the minds of the target group. The new edition of Positioning writes: "The new definition of positioning is: how to differentiate yourself in the minds of potential customers." This paper analyses the process of brand repositioning by analyzing whether the marketing approach of Li Ning brand repositioning fits into the positioning theory and the four steps of brand positioning:

(i) Analyze the industry environment
(ii) Find market segmentation,
(iii) Find support points
(iv) Communication and application.

3.3.2 Analyse the results

The Li Ning brand was repositioned to be more relevant to the current industry environment after the change. Li Ning completed a series of internal adjustments, including the organizational structure, product system, sales system, and marketing system, and determined the market segmentation of the brand, setting the main consumer group as the new generation of young people, using the Chinese elements occupy consumers' minds and achieve differentiation from the rest of the brands and compete for mental resources.

In-depth research into the consumer psychology and consumption patterns of the younger generation, and then develop a precise product positioning, the company's products and services repositioned to take into account professional sports and trendy innovation, shrink the front, clear Positioning, and create core products to build the synonym and its products that can convey the value of positioning to Gu Yao. And in recent years, the e-commerce industry has been gaining momentum.
According to statistics, on the day of the 2019 "Double 11", the single-store turnover of Li Ning flagship shop on Tmall broke 540 million yuan, setting a new record.

Li Ning has maintained its "single brand, multi-category, multi-channel" strategy, improving the layout of its brand year by year and positioning its products clearly. The company has been able to differentiate itself from other national brands in terms of the breadth of consumer coverage and depth of demand. With a strong emphasis on product development and design, Li Ning continues to lead the domestic sports brands with both professionalism and fashion; in the absence of major technological breakthroughs by international head brands, the company is expected to consolidate and further expand its market share in the future. Therefore, the analysis shows that the repositioning of the Li Ning brand is a seemingly risky but wise step.

4. Contrast Li Ning national brands to enhance the strategy

4.1 Situation analysis

Li Ning brand in order to carry out repositioning, can after the change, more suitable for the current industry environment. Li Ning has completed a series of internal adjustments including organizational structure, product system, sales system, marketing system, etc. It has also determined the market segmentation of the brand, setting the main consumer group as the new generation of young people, using the Chinese Yuan table, occupying the minds of consumers, achieving differentiation from the rest of the brands and competing for mental resources.

In-depth study of the younger generation's consumer psychology and consumption patterns, and then develop a precise product positioning, the company's products and services re positioned to take into account professional sports and trendy innovation, shrink the front, clear positioning, and to create core products to build the positioning value of the pronouns and their products to Gu Yao. And in recent years, the momentum of the e-commerce industry is rapid, according to statistics, in 2019 "double 11" day, Tmall Li Ning flagship store's single store turnover broke 540 million yuan, creating a new record.

Li Ning maintains a "single brand, multi-category, multi-channel" strategy, and the layout of the brand has been improved year by year with clear product positioning. In the breadth of consumer coverage and depth of demand and other domestic brands to form a differentiated competition. With emphasis on product development and design, the company continues to lead the domestic sports brands, with professionalism and fashion; in the absence of major technological breakthroughs by international head brands, the company is expected to consolidate and further expand its market share in the future. So the analysis shows that the repositioning of Li Ning brand is a seemingly risky but wise step.

4.1.1 Focus on the target market

From the actual situation of the current target market, Li Ning's brand strategy is relatively successful, but it is undeniable that the ambiguity of the target market has led to a certain degree of difficulty in the development of targeted marketing activities. Rosenbloom believes that sometimes it is necessary to first clarify through market research to find the potential of the current development of the company through further segmentation of these target markets, and to carry out targeted marketing strategies for the current target markets so as to better promote the construction of their own brands and their further development [13].

4.1.2 Multi-channel to enhance brand awareness

Jenkinson suggests that multi-channel sales have been a crucial part of the brand's strategic upgrade [14], which is related to the direction of the entire company's profitability. Channel strategy has always been a common emphasis of Li Ning, multi-channel strategy can largely enhance the visibility of the brand and the actual situation of the current Li Ning brand, in addition to its own brand awareness is relatively high, the visibility of its sub-brands is relatively low, especially in the
the case of domestic brands, they do not belong to their own sub-brands, so it is necessary to build its own sub-brands to take a diversified strategy, through the construction of multi-brand to open their own anti-risk ability, and to obtain the income of the name change.

4.1.3. Strengthen industry cooperation

Industry cooperation has long been a consensus within the sporting goods industry, but the reality is that these companies are not well aligned with each other, which leads to uneven levels of actual performance across the industry. In her study, Hanzaee pointed out that multidimensional cooperation in the industry has led to an increase in the scale of companies and an upgrade of inter-industry linkages [15]. In the case of a basketball, a good basketball may cost hundreds of dollars, while a cheap basketball can be bought for tens of dollars, so we need to form a culture of strong alliances in the industry, using each other's strengths to make up for their shortcomings. Sports goods in the design and sales process is not optimistic, something can find some specialized enterprises to carry out a strong combination, through such a form to make their own channels more perfect so that their products are more comprehensive.

4.1.4 Promote international brand building awareness

In Kozlinska's brand influence survey, the impression that brands made in China bring to the international are good quality, but the brand grade is difficult to upgrade [16]. Chinese made products to enter the international market must build their own brand, and on the current China's major domestic sports brand Li Ning, the brand must strengthen their own international competitiveness of the construction of such a form to allow themselves to better enter the international market to participate in international competition constantly form their own brand advantage. With a more youthful and trendy business model, bring consumers a new look, set off a theme marketing in the general direction of the national trend culture, in-depth cooperation between enterprises to operate, create a whole ecological industry chain, update the latest design process, bring traffic and attraction to the brand in the international fashion show, and promote the company to the route of international development.

5. Summary

In summary, we have sorted out Li Ning's development history and analyzed the problems it encountered and the way Li Ning responded to them, and analyzed and evaluated Li Ning's brand upgrade in conjunction with positioning theory. Although Li Ning has also generated a large number of negative comments after its transformation, including the belief that it has forgotten its original branding and belittled its old consumers, this is what brand transformation is all about, giving up its comfortable comfort zone to enter a brand new field and thus achieve greater commercial success. Li Ning, as a first-class Chinese sports brand, has started to get on the right track and gradually become a sports brand with a certain international influence after experiencing many difficulties as well as innovation. The successful transformation of Li Ning also has some reference significance for many developing sports brands, both for the direction of transformation, the way of transformation, and even its failure experience can provide a great reference value for other company brands, and also provide an excellent program for brand transformation in the new era.

References


