

RESEARCH ON THE DEVELOPMENT STRATEGY OF CHINESE SPORTS BRAND COMPANIES BASED ON SWOT ANALYSIS: TAKING LI-NING COMPANY LIMITED AS AN EXAMPLE

Shen Shasha, Seoul School of Integrated Sciences & Technologies

ABSTRACT

After decades of development, Chinese sports brand companies have gradually become mature. Sports brand companies represented by Li-Ning are already well-known in China. This paper aims at analyzing the internal and external environment of Li-Ning Company Limited through SWOT analysis method, and to put forward suggestions for its future development strategy according to the SWOT matrix. Results show that Li-Ning Co., Ltd. has the strengths in rapid growth in performance, enormous sales points, and good product image, instead its international market and the marketing capabilities of e-commerce channels are relatively insufficient. Furthermore, the strong support of the Chinese government's various policies, the remarkable effect of China's COVID-19 epidemic prevention and control, the steady growth of China's economy during the epidemic, the self-confidence of Chinese culture, the patriotism of Chinese, and the continuous development of China's emerging technologies all provide opportunities to Li-Ning Co., Ltd., but there are still many threats to its future development, such as the current severe situation of the global epidemic, the still-unresolved trade dispute between China and the U.S., and the fierce competition among its domestic counterparts in China. Finally, four strategies for future development of Li-Ning Co., Ltd. are proposed based on its strengths, weaknesses, opportunities, and threats.

Keywords: Chinese Sports Brand, SWOT Analysis, Li-Ning Company Limited.

RESEARCH METHOD

SWOT analysis was first proposed by Albert. Humphrey and defined as a strategic planning technique (Learned et al., 1969; Büyüközkan et al., 2021). Environmental analysis is crucial in the process of strategic management planning (Pickton & Wright, 1998). SWOT analysis aims to identify the internal environment of an organization and the external environment faced by the organization, and formulate strategies based on these factors. These strategies can leverage advantages to reduce or eliminate the adverse effects of disadvantages, or exploit opportunities to respond to threats (Dyson, 2004).

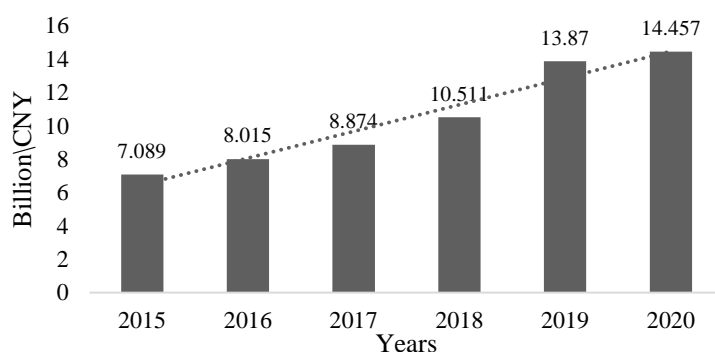
RESEARCH OBJECT

Li-Ning Company Limited (Li Ning Co., Ltd.), one of the Chinese sports brand enterprises, is a well-known domestic sports brand in China, whose main business is sportswear and sports shoes, as well as other sporting goods (Li-Ning Company Limited, 2021a).

SWOT ANALYSIS - STRENGTHS

Rapid Growth in Performance

In recent years, Li-Ning Co., Ltd. has been improving its performance and continues to have strong profitability. The economic foundation determines the superstructure, and the implementation of the company's strategy is also inseparable from the guarantee of funds. As shown in Figure 1, from 2015 to 2020, the operating income of Li-Ning Co., Ltd. has steadily increased. In addition, according to the interim report for the first half of 2021 released by Li-Ning Co., Ltd (2021b), in the six months ended June 30, 2021, the total revenue of Li Ning reached 10.197 billion yuan, up 65.0% from 6.18 billion yuan for the same period in 2020. Gross profit was 5.699 billion yuan, an increase of 86.4% compared to 3.057 billion yuan for the same period in 2020.



Data source: 2015-2020 Annual reports of Li-Ning Co., Ltd. (references are listed)

FIGURE 1
2015-2020 OPERATING INCOME CHART

Enormous Sales Points

Li-Ning Co., Ltd. possesses enormous sales points and wide coverage, which enhances its marketing capabilities to some extent. As of June 30, 2021, there was 5,704 Li-Ning sales points (excluding Li-Ning YOUNG) and 1,041 Li-Ning YOUNG sales points in China (Li-Ning Company Limited, 2021b).

Good Product Image

Nowadays, Li-Ning has long got rid of the stereotypes that Chinese sports brands have poor product quality, insufficient sports functions, and lack of fashionable design. In recent years, Li-Ning Co., Ltd. has been constantly trying to make new breakthroughs in product development and design and has gradually developed new products with high-end and trendy routes, which are deeply loved by professional sports enthusiasts and young people.

SWOT ANALYSIS - WEAKNESSES

The International Market is Relatively Small

Li-Ning Co., Ltd. has made efforts to enter the international market in recent years. For example, to develop the product series "*China Li-Ning*", by adding "*China*" in front of "*Li-Ning*" and promoting the "*China Li-Ning*" products to participate in the exhibition of internationally renowned fashion weeks to increase the brand's visibility of "*Li-Ning*" in the international market, making the "*China Li-Ning*" product series popular that consumers flock to purchase.

Although Li-Ning Co., Ltd. has always been striving to become a fashionable international first-class professional sports brand originated from China and recognized by the world, its international market is relatively small. According to the interim report released by Li-Ning Co., Ltd (2021b), the international market revenue in the first half of 2021 increased by 78.3% compared with the revenue of 68.27 million yuan over the same period in 2020, reaching to 122 million yuan, but the increase in the international market's percentage of total revenue merely was only 0.1%. Besides, in the first half of 2021, the international market's percentage of total revenue was 1.2%, and it was 1.1% over the same period in 2020.

Insufficient Marketing Capabilities of e-commerce Channels

Also, according to its interim report for the first half of 2021, e-commerce channel sales of Li-Ning Co., Ltd. still accounted for less than 30%, only 29.1%. Obviously, compared with its strong offline marketing capabilities, the e-commerce channel development of Li-Ning Co., Ltd. is in the urgent need to be strengthened.

SWOT ANALYSIS - OPPORTUNITIES

Support of Chinese Government Policies

As shown in Table 1, since 2011, the Chinese government has issued a large number of policies. It can be seen that Chinese government attaches great importance to the development of the sports industry.

Support of China's "Going Global" Strategy

Adhering to "*opening up to the outside world*" is China's basic state policies. In recent years, China has also made lots of efforts to help Chinese companies "*going global*." At present, a large number of countries and international organizations have signed agreements with China to jointly build the "*Belt and Road*" (Feng, 2021).

In 2020, the Regional Comprehensive Economic Partnership Agreement (RCEP) was officially signed by the trade ministers of 15 member states after 8 years of repeated negotiations and consultations (Liu, 2020). This series of measures helped Li-Ning Co., Ltd. enter the international market and achieve international development.

Table 1	
LIST OF RELEVANT POLICIES	
Government agencies	Policy
The State Council of China (2011)	National Fitness Program (2011-2015)
The State Council of China (2014)	Several Opinions on Accelerating the Development of the Sports Industry and Promoting Sports Consumption
The General Administration of Sport of	Thirteenth Five-Year Plan for Sports Development

China (2016a)	
The State Council of China (2016)	National Fitness Program (2016-2020)
The General Administration of Sport of China (2016b)	Thirteenth Five-Year Plan for the Development of the Sports Industry
The Central Committee of the Communist Party of China, The State Council of China (2016)	"Healthy China 2030" Planning Outline
The State Council of China (2019)	Opinions of the State Council on the Implementing Healthy China Action
The Healthy China Promotion Committee (2019)	Healthy China Action (2019-2030)
The General Office of the State Council of China (2019a)	Outline for Building a Leading Sports Nation
The General Office of the State Council of China (2019b)	Opinions on Promoting Mass Sports, Sports Consumption and High Quality Development of Sports Industry
The State Council of China (2021)	National Fitness program (2021-2025)

China's COVID-19 Prevention and Control Measures Have Achieved Remarkable Results

In 2020, when the COVID-19 broke out, the Chinese government took active and effective epidemic prevention and control measures to ensure the resumption of work and production of domestic enterprises. At the same time, during the epidemic prevention and control period, various financial support policies were used to help enterprises tide over the difficulties.

Currently, the situation of the COVID-19 and social stability are in great improvement. Domestic enterprises have fully resumed production and operation. And as of now, China's vaccination doses and number of people covered are not only the first in the world, but the population coverage rate also exceeds that of most countries in the world (Liu, 2020; Dong & Qiu, 2021).

China's Overall Economy Develops Steadily

Benefiting from the advantages of the basic socialist economic system with Chinese characteristics, the impact of the COVID-19 on China is manageable and the Chinese economy will continue to develop steadily in the medium to long term. The Chinese economy is still growing against the trend despite the COVID-19. According to data released by the National Bureau of Statistics of China (2021), China's GDP grows by 2.3% in 2020, exceeding 100 trillion yuan for the first time, reaching 101.5986 trillion yuan.

Chinese Cultural Self-Confidence and Unique Aesthetics

China is an ancient civilization with a history of five thousand years. The long history and splendid culture have created the Chinese people's cultural confidence and unique aesthetics. In recent years, the Chinese style has swept the Chinese market. Products and services based on traditional Chinese culture cover a wide range of categories and are deeply favored by Chinese consumers. For example, more and more people in China are wearing "*Han Chinese Clothing*" in their daily life and work. The cultural and creative products of the Forbidden City of China are popular on the e-commerce platforms, and the Chinese style talent show "*The Chinese Youth*" is deeply loved by Chinese audiences.

With its roots in China, Li-Ning Co., Ltd. understands Chinese traditional culture better than foreign sports brands. Thus, it is easier for Li-Ning Co., Ltd. to seize the opportunity of growing preference for "*Chinese*" products among contemporary Chinese people.

Chinese Patriotic Spirit

China has a tradition of patriotism, and the Chinese have a spirit of patriotism. Chinese President Xi Jinping attaches great importance to patriotism and has made important statements on many occasions. On October 2, 2021, the second day of China's National Day, the People's Daily, one of China's most authoritative media, published an article on the first page of Gather the majestic strength of the Chinese sons and daughters in unity and struggle-Review of General Secretary Xi Jinping's important expositions on promoting the spirit of patriotism. The People's Daily emphasized in bold and enlarged fonts that "*patriotism is the core of our national spirit, and it is the spiritual bond of the Chinese people and the Chinese nation to unite and strive for self-improvement.*" (Wang et al., 2021).

It is under such circumstances that the Chinese are able to boycott the foreign brands in general and prefer to choose Chinese domestic brands as they challenge Chinese patriotism. For example, in the "*Xinjiang Cotton Incident*" in 2021, H&M, Adidas, Nike and other foreign brands have completely angered Chinese consumers. Chinese consumers spontaneously resist buying these foreign brands, of which a great number of Chinese artists have ceased to cooperate with these brands one after another. Against the very context of Chinese patriotism, it is obviously very difficult for foreign brands involved in the "*Xinjiang Cotton Incident*" to regain consumer confidence in China.

Chinese domestic brands benefit from the social environment of strong patriotic spirit, and consumers will prefer to choose Chinese domestic brands.

China is Vigorously Developing Emerging Technologies

In the Internet era, China's e-commerce has developed rapidly, from offline consumption to online consumption, from cash payment to electronic payment, and from web pages to mobile terminals. The Internet has changed the consumption habits of Chinese consumers and has made a number of large-scale Internet companies in China today. At present, the technologies represented by 5G, AI, and the Internet of Things are developing fast and well in China, which will surely bring about a commercial revolution again.

Mr. Sun Yat-sen once said: "*The world tide is moving forward with unstoppable might. Those moving with the current will see prosperity, while those going against it will plunge to their doom.*" This is also what Chinese President Xi Jinping quoted many times in Sun Yat-sen's quotations (Huang & Wang, 2016).

For a country to prosper, it needs to follow the development trend of the world, and the same is true for enterprises. At present, emerging technologies are the general trend of development. Enterprises are expected to actively follow the development of science and technology, seize technological opportunities, actively integrate modern science and technology, bring new consumer experience to consumers, and promote the development of their own industrial structure.

SWOT ANALYSIS - THREATS

COVID-19 Prevention and Control Still Face a Severe Situation in the World

The prevention and control of the COVID-19 and vaccination measures of governments around the world are not in the same pace, method, and efficiency. Less effectiveness in some governments' prevention and control measures, leading to a new round of COVID-19 pandemic. Plus, with the imbalanced global vaccine supply, the global situation of COVID-19 is still grim.

The COVID-19 has had a significant impact on globalization. For example, ports had to close due to the epidemic; while goods were backed up in ports; stores and shopping centers were forced to suspend their operations; and some transnational business activities had to be reduced or stopped due to the epidemic. Certainly, merely a tiny part of the unfavorable factors is listed. The globalization strategy of Li-Ning Co., Ltd. will inevitably be affected by the situation of foreign epidemic prevention and control. Only if governments continue to implement strict epidemic prevention and control measures and increase vaccination rates, will countries be able to open the country gate faster in the post-epidemic era and help the recovery of globalization.

The China-U.S. Trade Dispute has Not Yet Come to an End

The China-U.S. trade dispute has lasted for three years, and frictions and contradictions occurred between China and the U.S. in the trade field. The China-U.S. trade dispute is still hindered by U.S. unilateral protectionism and has not come to an end in a true sense. If the China-U.S. trade dispute goes on for a long time, such a situation will be detrimental to China, to the United States, and to the global economy.

Fierce Competition Among Peers

Foreign sports brands represented by Nike and Adidas have traditionally occupied the leading position in the global sports product industry, whether in terms of capital, industrial chain, global brand awareness, talent, technology and other aspects, Nike and Adidas both have true strength.

From the perspective of Chinese domestic sports brands, Anta is undoubtedly Li-Ning's strongest domestic competitor. ANTA Sports Products Limited (2021) achieved revenue of 22.812 billion yuan in the first half of the year, a year-on-year increase of 55.5% (ANTA Sports Products Limited, 2021). With an operating income of 22.812 billion yuan, ANTA Sports Products Limited ranks first in domestic brand revenue in China, even exceeding Adidas' revenue of 2.405 billion euros in the Chinese market in the first half of 2021 (Adidas Group, 2021). Additionally, other outstanding domestic sports brands in China, such as Xtep, 361°, Guirenniao, Peak, etc., have gradually found their own proper development patterns.

There are also some Chinese domestic brands that actively participate in public welfare activities out of their social responsibilities and are overwhelmed by consumers. Although these brands cannot compare with the first-line brands in market size, their excellent brand images also greatly strengthen their own competitive advantages in the industry. For example, in 2021, Erke, which is an ordinary Chinese domestic brand, has donated 50 million yuan in materials to the disaster-stricken area in Henan, which has become a topic of heated discussion in China. The Central Commission for Discipline Inspection of the Communist Party of China and the National Supervision Commission of China published articles on their official websites commenting on

the Erke popularity incident, saying it was a moving story of kindness triggering kindness (Lan, 2021).

DEVELOPMENT STRATEGIES OF LI-NING CO., LTD.

As shown in Table 2, a variety of strategies can be combined with the internal and external environment of Li-Ning Co., Ltd.

S-O Strategy

With the support of Chinese policies, Li-Ning Co., Ltd. are supposed to seize the "*policy dividend*" and actively integrate into China's national fitness strategy, making best of the characteristics of Chinese cultural self-confidence, proactively aggregate Chinese traditional culture into product design, so as to create sports products with Chinese cultural characteristics.

Table 2 THE SWOT MATRIX OF LI-NING CO., LTD.		
Internal environment	Strengths	Weaknesses
External environment	S1: Li-Ning Co., Ltd.'s performance is rising rapidly. S2: Li-Ning Co., Ltd. has a huge number of sales points. S3: Li-Ning Co., Ltd. has a good and new product image.	W1: Li-Ning Co., Ltd.'s international market is relatively small. W2: Li-Ning Co., Ltd.'s e-commerce channel marketing capabilities are insufficient.
Opportunities	S-O Strategy	W-O Strategy
O1: Support of Chinese government policy. O2: Support for China's "Going Global" strategy. O3: China's COVID-19 prevention and control measures have achieved significant results. O4: China's overall economy develops steadily. O5: The cultural self-confidence and unique aesthetics of the Chinese. O6: Chinese Patriotic Spirit. O7: China is vigorously developing emerging technologies.	SO1: Grasp the " <i>policy dividend</i> " and actively integrate into China's national fitness strategy. SO2: Actively integrate Chinese traditional culture into product design to create sports products with Chinese cultural characteristics.	WO1: Deeply participate in China's " <i>going out</i> " strategy and expand its overseas market. WO2: Actively broaden e-commerce channels. WO3: Actively introduce 5G, AI, and other technologies for digital transformation and explore new retail models. WO4: The Internet of Things technology is expected to be actively introduced and new product research and development are expected to be carried out.
Threats	S-T Strategy	W-T Strategy

<p>T1: COVID-19 prevention and control still face a severe situation in the world</p> <p>T2: The China-US trade dispute is still not over.</p> <p>T3: Competition among peers is fierce.</p>	<p>ST1: Actively change the overseas marketing model and design a new model of "<i>contactless shopping</i>" based on local conditions.</p> <p>ST2: Actively optimize the global industrial chain supply chain system.</p> <p>ST3: Actively introduce global outstanding talents and technologies and attach importance to the cultivation of internal talents and technological R&D innovation.</p> <p>ST4: Participate in or organize public welfare and charitable activities and take the initiative to assume social responsibilities.</p>	<p>WT1: Optimize the international market strategy and consider "<i>one country, one strategy.</i>"</p> <p>WT2: Optimize the product line exclusively for e-commerce.</p>
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W-O Strategy

Li-Ning Co., Ltd. is expected to grasp the current international trade environment created by China, rely on the "*Belt and Road*" and "*RCEP*", deeply participate in China's "*going out*" strategy, and expand its overseas market.

Li-Ning Co., Ltd. is expected to actively expand e-commerce channels. In addition to traditional online shopping platforms, it is expected to increase its marketing investment in other online platforms such as TikTok App, Xiaohongshu (RED) App, and Dewu App, etc., as well.

Li-Ning Co., Ltd. is expected to actively introduce 5G, AI, and other technologies for digital transformation and explore new retail models, such as using AI for big data precision marketing and building smart stores, etc.

Li-Ning Co., Ltd. is expected to actively introduce the Internet of Things technology to create smart sports products in product research and development.

S-T Strategy

Li-Ning Co., Ltd. is expected to actively change its overseas marketing model. Under the global COVID-19 crisis, the marketing capabilities of offline stores will be greatly reduced. Li-Ning Co., Ltd. is expected to design a new "*contactless shopping*" model based on local conditions to adapt to consumers' shopping habits under the COVID-19 crisis.

Li-Ning Co., Ltd. is expected to actively optimize the global industrial chain supply chain system to deal with uncontrollable tariff barriers.

Li-Ning Co., Ltd. (2015) is expected to actively introduce global outstanding talents and technologies, such as in-depth cooperation in "*production, study and research*" on a global scale. And pay attention to the cultivation of internal talents and technology research and innovation, such as optimizing internal incentive measures.

Li-Ning Co., Ltd. (2016) is expected to actively participate in or organize public welfare and charitable activities, take the initiative to assume social responsibilities, and continuously improve the corporate and brand image.

W-T Strategy

Li-Ning Co., Ltd. (2017;2020) is expected to optimize its international market strategy. Due to the large differences in national conditions between countries, more consideration is expected to give to "one country, one strategy", and adjustments are expected to be made in terms of product supply, sales point layout, marketing planning, etc., in accordance with different international environments at the appropriate time. For example, when the cost of the product in a third country is reduced due to external environmental factors, it is expected to actively seek measures to reduce costs and replace products with more cost advantages to focus on sales in this country. If there is no better way to solve such disadvantages, the scale of operations is expected to be reduced as soon as possible to avoid risks.

Li-Ning Co., Ltd. (2018;2019) is expected to optimize the product line exclusively for e-commerce. Create differentiated products, conduct differentiated marketing, and design and produce more products exclusively for e-commerce. These product categories are not necessarily clothing and shoes that account for a larger sales volume, but other sporting goods such as equipment and accessories can also be considered more. This is not only conducive to increasing the income of e-commerce channels, but also to get rid of the fierce competition of homogeneity in the industry.

CONCLUSION

The future development of Chinese sports brand is influenced by its internal and external environment to a certain extent. For Chinese sports brands to go out and become internationally known brands, companies must clearly understand their strengths, weaknesses, opportunities, and threats, and actively look for strategies to play to their strengths, overcome weaknesses, take advantage of opportunities, and avoid threats, so as to achieve scientific and sustainable development.

As a household name in China, the future development strategy of Li-Ning Co., Ltd. can largely serve as a reference for the development of other local sports brands in China and it will also help foreign sports brands to further understand the Chinese market.

AUTHOR BIOGRAPHY

Shen Shasha is a PhD student at Seoul School of Integrated Science & Technologies. Her research interests mainly focus on business administration and public administration.

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