

Analysis of Marketing Environment and Strategy of Li Ning Company

- Based on SWOT and PEST Perspective

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Abstract: In recent years, China's sporting goods industry has been booming. After experiencing development pains such as blindly expanding stores in the post-Olympic era, Li-Ning observed the boom in physical exercise and the trend of consumer upgrading and carried out a comprehensive upgrade of its brand, ushering in a major opportunity for development. This paper tries to analyze the marketing environment and competitive situation of Li-Ning through SWOT and PEST models: in the political environment, the country has positioned a new direction for the adjustment of the sports industry; in the economic environment, China is sitting on the world's largest consumer market; in the social environment, Chinese consumers are paying more and more attention to health and sports; in the technological environment, the big data technology obtains more information for the enterprise's marketing strategy, and the functional technology at the production also improves the quality of the enterprise's products. In the analysis of advantages, Li Ning has the advantages of popularity, specialized products, and active publicity; in the analysis of disadvantages, the enterprise also has the disadvantages of unclear product positioning, single sales channel, and chaotic management structure; in the analysis of opportunities, the arrival of the era of all-name fitness and e-commerce gives Li Ning a bright future; in the analysis of threats, the foreign brands with traditional advantage and catching up domestic brands, making the competition in the sporting goods industry more intense. In this paper, some rationalization suggestions for the future development of Li Ning are also presented.

Keywords: Li Ning, SWOT, PEST, Marketing strategy

1. Introduction

1.1. Company profile

Li Ning Company was founded by Chinese gymnastics world champion Li Ning, founded in 1990, the company's main business includes Li Ning brand sports shoes, clothing accessories and fitness equipment and other products R & D, design, production and sales. The company is headquartered in Beijing Zhongguancun Science and Technology Park. Development of more than 30 years so far, Li Ning company has more than 4,500 employees, a total number of designers of more than 100 people,

the establishment of an independent product design and development center, the development of China's sporting goods industry leader, and brand awareness is internationally renowned.

1.1.1. Development course

A review of Li Ning's business and development history, shows that it has experienced four main stages: the first stage is from its inception until 2003, the founder of Li Ning with its own influence and Olympic sponsorship marketing efforts to build brand awareness; the second stage, in 2004, after the listing of the company in Hong Kong, Li Ning relies on the distribution model to quickly implement the layout of the channel; the problem is that the channel growth rate is too rapid. The third stage, from 2012 to 2014, is the reform stage of Li Ning, Li Ning began to implement the channel revitalization plan, focusing on alleviating the pressure of dealer inventory; the fourth stage is the return of Li Ning in 2015 to guide the company into the recovery stage of development, shaping the "Internet + sports life experience" model. So far, Li Ning has become a leading domestic sporting goods brand in the industry, and the marketing market still has huge room for expansion.

1.2. Relevant modeling concepts

1.2.1. PEST analysis model

PEST analysis is used by strategy consultants to help companies review their external macro environment. It refers to the analysis of the macro environment, which is also known as the general environment, which refers to the various macro forces that affect all industries and enterprises. Analysis of macro-environmental factors, different industries and enterprises according to their own characteristics and operational needs, the specific content of the analysis will be different but generally should be political (Political), economic (Economic), social (social) and technology (Technological), the four major categories of influence on the enterprise's main external environmental factors to be analyzed. In simple terms, this is called PEST analysis. In this essay, we use the PEST model to analyze the challenges and opportunities for Li Ning and the sporting goods industry in which it operates in the macroeconomic environment to clarify the environmental basis and general direction for strategy development within the company.

1.2.2. SWOT analysis model

SWOT analysis (also known as TOWS analysis, Dawes matrix) is a situational analysis, the early 1980s by the University of San Francisco management professor Weirick proposed, often used in corporate strategy development, competitor analysis, and other occasions.

SWOT involves analyzing the Strengths, Weaknesses, Opportunities, and Threats of an organization. Therefore, SWOT analysis is actually a method of synthesizing and summarizing all aspects of an enterprise's internal and external conditions and then analyzing the organization's strengths and weaknesses, opportunities and threats.

Through SWOT analysis, it can help an organization to focus its resources and actions on its strengths and where it has the most opportunities and make its strategy clear. In this essay, we use the SWOT model to analyze Li-Ning's competitive situation within the industry and within the company in more detail. The purpose of the analysis is to match the firm's strengths can be matched with good opportunities in the environment while eliminating or overcoming the firm's weaknesses and reducing risks to choose the optimal strategy.

2. Review

Different scholars have explained strategic transformation at different levels. Based on the corporate strategy perspective, some scholars regard strategic transformation as a change in the content of the firm's operations in terms of products and markets. Ansoff sees strategic transformation as an adjustment of the two elements mentioned above, as well as a reset of the related resources[1]. Quinn locates strategic transformation in the change of the strategy itself and argues that the basic changes in the strategy can be categorized as strategic transformation [2]. Wiersema and Bantel, on the other hand, directly consider changes in the degree of product diversification as strategic transformation [3]. With the growing strength of national brands, some scholars in China have also proposed that we should pay attention to the construction of national brands. Meng Chuang believes that China's enterprises should strengthen the protection of intellectual property rights, focus on constructing national brands, and be self-reliant to stand firm in the wave of economic globalization [4]. Shan Lin believes that enhancing the competitiveness of national brands can establish the competitive advantage of enterprises, enhance their profitability, and create great value for them [5]. Yin Fenglin believes that China's enterprises should pay attention to brand building, especially the construction of national brands, which can reflect the results of operation, improve the attractiveness to consumers, become a source of long-term profits and security, and have a positive effect on the growth of enterprise value. It has a positive effect on the growth of enterprise value [6]. Based on previous studies, this paper will analyze the brand strategy transformation of a local Chinese sporting goods company, Li Ning, and its marketing environment and strategy from SWOT and PEST perspectives.

3. Analysis

3.1. Political environment

Since 2010, the state has continuously increased its investment in the sports industry, and more relevant policies have been adopted, laying a good foundation for developing the sports industry. In 2014, The General Office of the State Council issued "Several Opinions on Accelerating the Development of the Sports Industry to Promote Sports Consumption", which positioned a new direction for the adjustment of the layout of the sports industry system in China, made the related content of sports products and services more abundant, directly stimulated the consumer demand of the people for the sports industry, and set the growth target of the sports industry in 2025; In 2016, The General Office of the State Council promulgated the National Fitness Plan (2016-2020), which proposes that 700 million people should take part in physical exercise once a week or more by 2020.

In 2019, The General Office of the State Council promulgated the Outline for Building a Strong Sports Country again, proposing that by 2035, more than 45 percent of the country should regularly participate in physical exercise. In March 2021, the "14th Five-Year Plan" was released, which proposed that national fitness is the only way to build a sports power, and it is necessary to improve the public service system for national fitness, promote the diversified development of sports industries such as outdoor and leisure, and inject impetus into sports consumption.

The report of the 20th National Congress put forward the general goal of national development to 2035, and building a sports power is an important part of it, requiring all localities to focus on deepening reforms in key areas of the sports industry and helping the innovative development of the new situation of sports [7]. Based on the good policy situation, the consumer demand for sports fashion products continues to increase, and China has entered the golden age of developing the sporting goods industry. As a domestic sporting goods industry leader, Li Ning's marketing is full of opportunities.

3.2. Economic environment

China has become the world's second-largest economy, with a large population base and an increasingly high material standard of living. In particular, the comprehensive victory of the national poverty alleviation war in 2021 means that China's economy has risen to a new level. In 2019, the country's GDP rose to 99 trillion yuan, an increase of 6.1% year-on-year. The outbreak of the new coronavirus epidemic in 2020 has brought a certain blow to the domestic economy, but the economic foundation of China cannot be ignored, and various industries, including the sporting goods industry, will develop in an orderly manner with the dispersal of the epidemic. According to the results of the survey on the sporting goods consumer market conducted by the China Sporting Goods Industry Federation in 2021, it can be seen that among a total of 1,000 respondents, 64.52% of them spend less than 500 yuan annually in the field of sporting goods, and 28.63% spend more than 500 yuan. The remaining 6.85% spend more than 2,000 yuan a year. Including the proliferation of gyms and the rise of tourism, the consumption of sportswear, shoes, hats, bags, and other related products also has a huge potential market space; it can be seen that Li Ning company can take advantage of the trend to implement effective marketing strategies.

3.3. Social environment

China is a traditional sports power, and there have been countless Olympic champions and world champions in history. In recent years, with the strong support of relevant policies, more and more people have participated in sports development, making the demand for professional sporting goods increasingly strong. According to the latest data from the seventh national census, we can see that at present, the total number of post-80s to post-00s people in our country exceeds 600 million, accounting for about 45.8% of the total population. Among them, the middle class and the post-90s generation have the strongest consumption potential and are the main force in today's consumer market. These young consumer groups, with the development of Internet technology and growth, are willing to try a variety of new things and focus on quality based on the pursuit of personalized, but also have a stronger sense of health and wellness concept, thus becoming the target customer groups of many sports brands. Such a social environment will also inject a strong driving force for the change and quality improvement of Li Ning's product design and then support the company's products to improve marketing quality [8].

3.4. Technical environment

In the traditional period, the limitations of Li Ning's marketing technology do not need to be described, including marketing channel construction, sales end customer demand, product adjustment decision-making basis, and other aspects of the information that can support marketing decisions are difficult to circulate, and the optimization of marketing strategy is easy to face the problems brought by the technical environment. In the Internet era, the rise of the e-commerce economy has subverted people's traditional consumption concepts and behavior habits. Expanding online marketing channels based on traditional offline channels is an important way for enterprises to innovate marketing technology. At the same time, the application of Internet big data technology can also enable enterprises to obtain more market information, such as consumer demand and preferences of end consumers, thus providing a basis for the adjustment of enterprises' marketing strategies. In addition, from the perspective of sporting goods design and production technology, the innovation of functional science and technology will also have more space, such as the functionality of Li Ning brand basketball sports clothing and equipment and training clothing with wind and rain protection and other functions, are sports products under the guidance of consumer demand. Future marketing needs to further enhance

the professional and technical attention to products so that sporting goods can consider consumers' needs for fashion, functionality, and competition.

3.5. Strength analysis

The mass base is good, and the founder, Li Ning, is well-known. The founder of Li Ning company is a famous gymnast; Li Ning has won glory for the country many times in sports events and has laid a good mass foundation. Li Ning is an athlete, and creating a sports brand with Li Ning as the brand name is very influential. Know the importance of specialization and constantly improve product performance. Li Ning company understands the importance of specialization, has repeatedly looked for professional institutions and professionals to participate in product development and design, and constantly improves the performance of products. The promotion and publicity is better. Li Ning company is well aware of the indispensable publicity. In the beginning, the company was actively involved in the sponsorship of sports events, not only letting more people see their products but also relying on the ability of professional athletes to carry goods so that their products have been recognized. 2008 the Beijing Olympic Games celebrated the whole country, and national pride climaxed. Li Ning company was China's homegrown national brand and sponsored the Olympic Games everywhere. Li Ning's trademark quickly lost its popularity.

3.6. Weakness analysis

3.6.1. Product positioning is fuzzy

Li Ning company targeted the young people's market, ready to target users in the post-90, played the slogan of the post-90 Li Ning. Before this, Li Ning's main consumer groups are 70, 80. Li Ning company in the target users to the post-90s at the same time also changed the product positioning, Li Ning brand positioning in the high-end, fashion, while the price of the product also rose. However, this series of changes of Li Ning company did not change the status of Li Ning brand in the hearts of young people, because the design of Li Ning company is still relatively old, not trendy enough, and the price is not affordable enough, compared with the same price Nike, Adidas, young people are more inclined to the latter [9]. Moreover, this change of Li Ning company, lost most of the old customers, 70, 80 customers feel that Li Ning company does not attach importance to this part of the user, the higher brand price is prohibitive, so turned to anta, a special step to embrace.

3.6.2. Single sales channel

The sharp drop in sales has led to a sharp increase in inventory pressure. However, Li Ning company mainly adopts the sales model of large dealers, only suppliers and channel dealers docking with the company, and there is no direct contact with consumers. It is difficult to obtain relevant information such as consumer preferences in a timely manner, resulting in the phenomenon of overstocking while trying to produce, inventory costs rise sharply, and corporate capital operation problems.

3.6.3. The internal management structure is chaotic

Li Ning also has problems at the governance level. As an old sporting goods brand, there are many employees, and the internal structure is complicated. A large number of so-called management do not act; these employees do nothing and work slowly, resulting in a bloated organizational structure that only increases the company's operating costs.

3.7. Opportunities analysis

The strong support of the state advocating the national movement. From the rise of sporting goods after the 1970s to today, the heat can be described as only increasing. With the rapid development of the national economy, the state vigorously advocates sports for all, calling for more attention to health while improving the quality of life.

People's awareness of sports and fitness is gradually strengthening. It coincides with the national promotion of national sports and physical fitness. The national awareness of sports has gradually increased while strengthening sports fitness, but also paying more attention to the comfort and professionalism of sports fitness, the demand for sporting goods is also increasing.

The rapid development of e-commerce. The rapid development of e-commerce is a good opportunity for Li Ning Company. The use of e-commerce can get rid of the geographical limitations and information closure brought by physical stores, show their products to more consumers, and improve performance. At the same time, it can also communicate with consumers in real-time, understand consumption tendencies, and promote improving the company's products.

3.8. Threat analysis

The crushing of foreign brands in technical management. In the early years, China's sporting goods industry was still relatively blank, and many foreign brands took the opportunity to enter the Chinese market and obtained good profits. Li Ning Company is in this kind of external forces in the pincer was born, although the name of the national brand banner, in the product design and manufacturing and mature enterprises, are far away, sales are far less than foreign brands. The emergence of many domestic brands. With the wind of sports blowing open in our country, many enterprises looked at business opportunities, so many new local sports brands began to emerge, such as Anta, Special Step, and 361, which caused Li Ning company not only to compete with foreign brands but also compete with local brands for customer resources.

3.9. Marketing advice

3.9.1. Clear product positioning and complete product upgrade

If an enterprise wants to achieve long-term development, it must have a clear goal and strategy. Li Ning company is also applicable; Li Ning company sells sports products, and to get good sales, this product must have a clear positioning, with positioning a target market. Li Ning company blindly changed the product positioning in the early days; the target users were positioned in the post-90s but did not consider whether their production design could keep up, and the final results showed that this strategy was a failure [10]. Because Li Ning has not achieved a great breakthrough in design, it is difficult to attract consumers after 90, and because of blind price increases, it lost most of the 70 and 80 loyal customers, resulting in a slump in sales.

3.9.2. Adjust product pricing according to market demand

As a domestic sports brand, the average price of Li Ning products is lower than Nike, Adidas, and other foreign brands. However, compared with Anta, Li Ning's price is actually not low. The current tiered pricing strategy seems comprehensive, but it is limited, so this paper believes that the promotion of Li Ning's marketing effect needs to rely on a more scientific and reasonable product pricing strategy. Specifically speaking, the pricing of Li Ning's products should be adjusted as necessary to meet market demand, and the corresponding consumer groups of different series of brand products should be clarified through the strengthening of target market positioning. Overall, the current Li-

Ning brand market is mainly concentrated in the second and third-tier cities of young consumer groups, so the future price strategy should be adjusted to further subdivide the market, such as the national Tide shoe product price can be made in accordance with the professional, functional mass leisure of different categories of different prices, to avoid mass consumers in the face of high price products like discouraged. Such consumers can buy the same style of products as the mass leisure type of national fashion products. Professional consumers who have professional sports needs and also like national Tide products can also obtain higher product quality and functionality through high prices. In this way, different consumers will have more choices, and differentiated pricing of different products according to different market needs will help enterprises cover more consumer groups with their products, which is an important measure to improve marketing efficiency.

3.9.3. Strengthen channel integration and open up innovation channels

After 2015, Li Ning Company began to integrate the "Internet +" concept and shape the "Internet + sports life experience" model; marketing channels began to expand the e-commerce platform. However, according to the actual situation of Li Ning Company, the main marketing channels adopted are still the agency system and the establishment of a franchise chain monopoly system, and the integration of online and offline marketing channels is lacking [11].

Therefore, it is necessary to deepen channel integration and open up more new channels in the future. First, the agent dealer channel strategy strengthens the maintenance of customer relationships and service levels and builds online and offline integrated marketing channels so that consumers can offline experience online consumption, including product experience, after-sales service, and other basic needs can be met online and offline at the same time, truly realize the worry-free and convenient consumption. To increase the degree of satisfaction and trust in enterprise services and products. Second, direct channels pay attention to the national one, two, and three-tier city market stability at the same time, further do a good job in four, to five-tier city product promotion work, in these channels focus on the layout of low-end cost-effective products, moderate launch of mid-end products, taking into account the influence of Li Ning brand while ensuring quality, expand brand communication effect; Third, the network channel strategy attaches importance to strengthening the construction of flagship stores of Jingdong, Tmall, and other companies, and develops more convenient online direct marketing platforms such as official website, WeChat business, and we-media video links, and maintains the same intensity of online and offline activities.

4. Conclusion

Through the SWOT and PEST models, this paper analyzes and finds that Li-Ning has made remarkable achievements in strategic transformation and has gained a dominant position in China's sporting goods industry, enjoying an increasing international popularity. However, the company still has many deficiencies in its marketing strategy, including product pricing, market positioning, sales channels, etc. Ultimately, this paper gives some reasonable suggestions for Li Ning's marketing strategy. As long as the close combination of the company's As long as the company closely combines with its own actual situation, it can find its own brand advantages, establish its own brand culture and connotation, increase its own brand value, and let the consumers recognize the brand. Consumers recognize the brand, and then, in addition to the corresponding adjustment measures and marketing means, they use multi-channel development to achieve victory in the white-hot market competition.

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