

The Application of Digital Marketing Strategy——A Case Study of Li-Ning

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Abstract. With the rapid development of Internet and technology, digital marketing strategy has become a heated topic in company operation. In the increasingly fierce online market competition, newly emerged problems urge companies to apply digital marketing strategies. In this study, a major Chinese clothing company Li-Ning is analyzed by using the Strength-Weakness-Opportunity-Threat analysis method, which can clearly indicate the current situation of the Li-Ning company. By making comparisons of Li-Ning company's advantages and shortcomings and considering the challenges and opportunities in the sportswear industry, this study has given out suggestions accordingly for the company to better adapt to the digitalized environment and achieve greater success. What's more, the experience could also provide guidance for Chinese domestic enterprises.

Keywords: Digital marketing strategy; Li-Ning; SWOT analysis.

1. Introduction

Today the world we are living in is becoming increasingly digitalized. The process of digitalization has lasted for decades, from the second Industrial Revolution till now, dramatically changing people's working environment and the lifestyle of human being. Several decades ago, there was nothing interesting on the internet and people had to bear with terrible connection due to the primitive net technology. But now with the emergence of 5G technology, Augmented Reality/Virtual Reality and Artificial Intelligence, business has expanded incredibly and thus companies requires new methods to adapt to this digitalized environment. What's more, the rise of Covid-19 also has a significant impact on business ecology. When customers are experiencing lockdowns because of the pandemic, they get much more familiar with online shopping. In 2020, China's online retail sales reached 11.76 trillion yuan, an increase of 10.9% over 2019, among which the online retail sales of physical goods reached 9.76 trillion-yuan, accounting for 24.9% of the total retail sales of consumer goods. By December 2020, the number of online shopping users in China had reached 782 million, accounting for 79.1% of the total Internet users [1].

China is both the world's biggest producer and consumer in the clothing industry. Although the brand awareness of clothing companies is becoming more and more strengthened, there still lacks an 'international brand' to compete with foreign giants. Along with the continuous development of China's economy and the improvement of residents' consumption level, consumptions in clothing industry shows a strong potential to grow. And in the foreseeable future, as millenniums become the major customer, Chinese domestic clothing brands would have more opportunities to earn reputation. With Li Ning's appearance on the stage of international fashion Week and the launch of "China Li-Ning" national fashion series, a "domestic product fever" has been set off in China's sportswear industry. And under such background, this paper will analyze the dilemma of Li-Ning company and provide possible solutions to help the company in the digital era, which will also provide precious model and experiences for other companies in the clothing industry to attain competence.

Li Ning, the "Prince of Gymnastics", founded his own sportswear company on July 6, 2007, which became the earliest independent sports brand in China [2]. At present, Li-Ning has grown into a leading sports brand company in China. The company implements the business strategy of "single brand, multi-category and multi-channel". In terms of Li-Ning's brand, the company takes the Li-Ning brand as the core, and its series and sub brands include children's clothing (Li-Ning Young), China Li-Ning and "LI-NING 1990". With respect to categories, the company has five core categories

of sport goods and stylish clothing, including main products of sports fashion, basketball, running, comprehensive training and badminton. And for the marketing channels, the company has 7137 stores and mainstream online sales channels, widely covering China's multi-level market. Li-Ning has become a leading brand of sportswear, sports accessories and fashion.

In recent years, the company continues to hold its main marketing concept, hoping to enhance its brand influence and brand image among customers. The most successful part of the company's marketing process is the unique sports fashion style. The brand has reached long-term stable cooperation with Chinese professional sportsmen, and thus expands the brand value to the customers. What's more, the company also adopts an innovative method which combines elements from traditional Chinese culture and the newest trend of design to create value and achieve constant growth. According to the latest financial report of Li Ning company, the annual revenue of 2021 is 22.57 billion yuan, the annual net profit of 4.01 billion yuan, a year-on-year growth of 136%, significantly exceeding expectations and among which the retail flow growth rate even reached 50%-60%. (Source: <http://ir.lining.com/sc/ir/highlights.php>). Li Ning's profit source can be divided into footwear, clothing and accessories. The clothing sector where the company's largest sub-brand China Li-Ning belongs has the highest growth rate of 64.9% [3]. And in the perspective of consumer satisfaction, Li-Ning official e-commerce shop's favorable rating is above 95% [1], representing a high satisfaction rate.

In the following paragraphs, this study will use Strength-Weakness-Opportunity-Threat analysis as the research method to discuss the basic situation of Li-Ning company. Additionally, the purpose of using SWOT analysis is to display an objective and clear view that indicates the advantages and shortcomings from the inner company situation and outer marketing environment, thus providing helpful information for the company to overcome multiple task challenges and optimize its current marketing methods.

2. SWOT analysis on LI-Ning company

2.1. SWOT Definition and Advantages

Strength-Weakness-Opportunity-Threat analysis, also known as SWOT analysis, is a two-dimensional methodology that studies impact from both internal and external forces whether positive or negative. Today SWOT has been widely used in management effort evaluation in multiple fields, and it has been considered as one of the most useful tools in strategic planning. The characteristic feature of SWOT includes a dynamic nature with many aspects, and heterogeneity that manifested in the existence of various mutations in theory and practice [4]. A classical SWOT procedure includes a detailed identification and classification for the current situation and analyzes all possible factors that affect future development of the entity. The four criteria in the model can be divided into two groups. Strength and Weakness investigate situations within the organization while Opportunity and Threats explore the possibilities and risks from external environment. In the context of marketing strategy analysis, using SWOT is a good way to scan out essential factors and vulnerabilities of the object and coordinates every source to adapt to customer needs. More importantly, it is not completely a foresight method but a rational beginning for discussion making on current and future directions and challenges [5].

2.2. Current Strength

2.2.1 Comprehensive product line

Li-Ning company has attached great importance to original design since its foundation. The company has met the diverse needs of consumers with its continuous efforts to optimize the product structure of the core categories, thus having huge success. For example, the basketball category has integrated technology, star resources and story packages at the standard of customer demand, and created many distinctive products. Running category based on different types of track and

competition, has clearly classified professional footwear into racing, speed, protection and super light four sectors. By exploiting the market potential of sports life, the company seized the market opportunities and successfully gained numbers of loyal fans. All of these contributed to the steady expansion of the product matrix.

2.2.2 Large customer base

Since its establishment, Li-Ning, as a traditional Chinese sports brand, has occupied a large market share in the middle and low-end market and met the public's demand for sportswear at that time. Although the company has encountered some difficulty in transforming period and lost a few market share, Li-Ning quickly adjusted its marketing strategies and tried to put attention on the younger generation. Based on market insight, Li Ning launched a series of street basketball named Fan Wu in 2018. The product itself is a perfect combination of street fashion design and local culture. And since the day it released, the product has become viral among young customers. Today Li-Ning company has created numerous examples demonstrating that it can do everything to meet people's expectations and turn them into Li-Ning's followers.

2.2.3 Standardized distribution channel

In 2008, Li-Ning company has officially stepped into the online channel. At that time, most online clothing companies face with a common challenge, which is the copyright problem. Due to the lack of awareness and regulations to protect copyright, a large number of pirated products existed on major e-commerce platforms. Many brands suffered from the damage to product quality and company credit. However, Li-Ning had learned from peers' experiences. Li-Ning company had evaluated, negotiated and authorized all kinds of Li-Ning stores on the network, unified their supply and brought them into official management [6]. Finally, the company formed its unique e-commerce mode of franchising management. Relying on this model, Li-Ning has successfully copied the standardized model to various distribution channels, including franchisees, direct retailers, e-commerce, international markets, etc. [7].

2.3. Current Weakness

2.3.1 Blind pricing strategy

In 2010, Li-Ning announced three consecutive price increases for its footwear and apparel products. However, the rise of product prices did not accompany with the rise of product quality, which directly caused rejection from the upscale market. Except from the failure in the high-end market, Li-Ning's main customer base is still concentrated in the second and third-tier cities. The continuous price increasing strategy has wiped out the original price advantage of its products, which has forced these price-sensitive users to switch to other sports brands such as Anta and Peak.

2.3.2 Lack of digital marketing experience

In the 2022 October, Li-Ning's newly launched product has aroused sharp criticism, because the outfit design was extremely similar to Japanese soldier's uniform during WW2. After the wide discussion on social media, nevertheless, the company's spokesperson not only resist apologizing for the design errors, but also denouncing that people don't have an aesthetic view and are lack of traditional Chinese culture education. The reaction from the consensus and people's purchasing preference soon affected Li-Ning's seasonal revenue and stock performance, causing 20 billion losses. This issue partially reflected the shortcomings of Li-Ning's public relation and customer interactions, representing their marketing strategies on social media are not mature and satisfying.

2.4. Opportunities

2.4.1 Pandemic pushes the development of e-commerce

Due to the influence of covid-19 pandemic and the lockdown policy, many companies encountered huge decline in their offline store sales, causing a mass of bankruptcies. However, the pandemic also acts as an incentive for companies to develop their online services and shift their attention on online

marketing. Traditional marketing methods are no longer effective in current environment for the unpredictable sale and the possible massive overstocked products. E-commerce, with its unique advantages of breaking the limitations of time and space, has grown dramatically in the past few years, especially in China. In order to expand the customer base and promote sales, companies need to attach greater efforts on digital marketing.

2.4.2 The rise of streaming marketing

Among various forms of digital marketing strategies, streaming marketing stands out to be one of the most profitable and efficient method for digital companies. Representative streaming platforms, Twitch for example, has achieved considerable success on advertising. Except from streaming platforms, influencers also play as an essential role. Empirical studies [8] on streaming marketing indicated that in the live streaming practice, customer engagement is strongly associated with followership and purchase intention. Although price might be a powerful moderator, it's impact on purchase intention can disappear once consumers become streamers' followers. Thus, it is believed that streaming marketing is a powerful tool for online marketing.

2.5. Threats

2.5.1 Domestic fierce competition in lower market

In the Chinese sportswear market, Li-Ning faces fierce competitions from other Chinese brands. Anta has been a tough competitor in the market share of the sportswear industry. The Anta company not only deeply rooted in the lower market, but also reached cooperation with lots of famous NBA league basketball players as their brand ambassadors, which helps them earned reputation from both domestic and foreign market. What's more, other enterprises like Peak, 361 Degree also take efforts to win advantage in product price and get customers. Such intense competition requires Li-Ning company to adjust their strategy.

2.5.2 Foreign famous sports brands are still powerful.

Apart from Chinese domestic competition, foreign competitors challenge Li-Ning's future. Because of the popularity and people's shopping habits, consumers will still consider foreign tycoons like Nike as their first choice. In addition, innovative product design, celebrity effect, and close customer relationship are also these companies' key to success. Li-Ning needs to learn from their experiences and create the company's own value, so that they can achieve greater success.

3. Suggestions for the company

3.1. SO Strategy

3.1.1 Take use of streaming marketing

The empirical researches [9] have proven that promotion, placement, and physical evidence (streaming background) have a positive effect on customers' willingness to purchase. Perceived trust, entertainment, interactivity are also powerful factors determining customer engagement [10]. Li-Ning company with its unique advantages of sponsorship on sports events, cooperation with sports celebrities, and large customer base, could easily attract more potential customers and promote sales, and build up a new e-commerce ecosystem, driving traffic from streaming room.

3.2. ST strategy

3.2.1 Clear product positioning

In order to avoid problems of blind product positioning, Li-Ning company needs to reconsider the pricing strategy for each product line and reorganize the product structure from different subsidiary corporations. In such industry where product homogenization is becoming more and more serious. Li-Ning should strive its best to maintain competence in the upcoming pricing war among domestic

competitors. Although Li-Ning has some representing product lines such as the Wade series, it is far more than enough for those products targeting at lower market to have a clear targeted customer group.

3.2.2 Increase peer cooperation

In the competition with foreign famous brands, technology is the key factor to win customers. Currently, traditional sportswear giants own the dominance of sports technology. To break the technological monopoly, Li-Ning has to increase cooperation with peer companies to achieve synergy and attract more talents on research and development sector.

3.3. WO Strategy

3.3.1 Improve customer relationship

During the past decade, Li-Ning's public relationship has always been criticized for the arrogance of the management. Now it's the best timing for the company to remedy. Generally speaking, using digital media to contact and communicate with consumers in a timely manner can help manufacturers understand user needs more accurately and improve user experience in a more proactive way [11]. Apart from that, integration of media platforms, establishment of online communication channels, cooperation with social media, and the tracking of consumer satisfaction about Li-Ning through big data technology, these methods can be useful tools for the company.

3.3.2 Better application of influencer marketing

Although Li-Ning company has made a preliminary attempt in the influencer marketing, there are many existing problems at present. The lack of backlinks, insufficient discount offering and ignoring interactions with potential customers, all of which have contributed to the low click through rate and conversion rate. This requires Li-Ning to first pay more attention to consumer needs, then optimize its marketing content and channels and finally, launch promotional activities to increase consumer's purchase intention.

3.4. WT Strategy

3.4.1 Promote brand culture

Customers' core pursuit when buying a product is to get their life better, and this process is highly connected with customers' emotion. Therefore, to have an insight on consumer psychology, and build up a characteristic brand culture is beneficial to make a differentiation with other competitors [1]. Nowadays, customers show an increasing enthusiasm for products that has traditional Chinese culture elements. Li-Ning company needs to continue its effort on promoting its close connection with the national spirit. During the process of marketing, the company has to deeply investigate the relationship between brand history and the precious entrepreneurship from the brand birthplace, raw material source, technology development, etc. Only in this way can Li-Ning maintain its market share in the fierce competition with domestic and foreign competitors.

4. Conclusion

With an emerging need for the rise of a Chinese local sportswear brand to compete with foreign companies in the digital era, Li-Ning certainly has made its effort in changing its targeting strategies [3]. However, the company still has several misunderstandings with the online market and shows primitive knowledge of customer relation maintenance. This study adopts SWOT analysis, known as Strength-Weakness-Opportunity-Threat analysis, to indicate the strength and disadvantages within the company and unravel the underlying opportunities and threats which come from the entire industry and market. Li-Ning company with its foregone growth process, has shaped a mature business mode through a massive customer base, various product lines with high quality and multiple channels for consumers to achieve purchases. Though Li-Ning has met hindrances when the company was trying to build an organic relationship with online customers and failed to price properly, new

trends and opportunities are analyzed for the company to improve its business model, for example, the popularization of e-commerce and the trend of streaming marketing could considerably help the brand boost its sales. However, threats from Chinese domestic competitors and foreign giants should not be neglected. Thus, this study carries out suggestions accordingly for Li-Ning company to cope with problems that appear in the four aspects (Strength-Weakness-Opportunity-Threat). Through the comprehensive analysis on Li-Ning company, this study believes that it will provide experiences for Chinese local brands to transform from traditional face-to-face business models and adapt to the new business ecology and digital market situation. Li-Ning is not only a pioneer for companies in the clothing and design industry, but its story is also beneficial for all kinds of enterprises who participate in online transaction and service delivery.

This study has used a single research method to analyze Li-Ning company's business status, which demonstrates a unilateral understanding of the brand situation. And without direct contact with the company, the information sources are limited. Therefore, more detailed and empirical researches on digital marketing application for Chinese companies need to be conducted and only in this way can native Chinese brands grow successfully and eventually.

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