

Research on the Business Operation Mode and Strategy of Top Sports Business Companies - Taking Anta Group as an Example

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Abstract. In recent years, the global awareness of the importance of health and physical fitness has been on the rise, particularly in the wake of China's successful hosting of both the Summer and Winter Olympics. Physical exercise has become an integral part of people's lives, and as a result, the sports industry is thriving. China has emerged as a powerhouse in the sports business sector, boasting some of the world's largest sporting goods manufacturers, with well-established operational models and business strategies. This research focuses on Anta Group, one of the prominent players in China's sports business landscape, and conducts a qualitative analysis of its business environment. The study delves into Anta Group's ongoing cross-border mergers and acquisitions, its strategies for enhancing market competitiveness, its successful realization of synergy effects, and its diversified brand positioning. The significance of this research lies in its potential to provide valuable insights for the sustainable development of sports business companies. By closely examining Anta Group's business strategies and their outcomes, this study aims to distill strategic plans and outline future directions for companies operating in the sports business sector. The lessons learned from Anta Group's experiences can serve as a blueprint for other industry players, guiding them toward long-term growth, competitiveness, and success in an increasingly health-conscious and sports-oriented global market.

Keywords: Anta Group; Business strategy; Mergers and acquisitions.

1. Introduction

1.1. Research Background

With the continuous improvement of people's health awareness, the rapid popularization of the concept of national fitness, sports industry policy support and overall consumption upgrade, the sportswear industry has also been growing very fast in recent years, and its proportion in the clothing market is getting higher and higher. China's successful hosting of world-class sports events such as the 2008 Beijing Olympics, the 2011 FISU World University Games and the 2022 Beijing Winter Olympics has greatly stimulated people's enthusiasm for sports, and sports have become increasingly popular in people's hearts. Anta's brand image is iconic in the 2022 Beijing Winter Olympics. As a representative enterprise among Chinese sports brands, Anta Group's business strategy developed its brand scale and acquired many international brands in recent years. ANTA Group boasts a diverse portfolio of brands, including ANTA, FILA, ARCTERYX, Descente, and several others. In a significant development in 2019, ANTA Group successfully completed the acquisition of the Finnish sports brand group Amer Sports. This strategic acquisition encompassed the inclusion of several globally acclaimed brands, previously owned by Amer Sports, into the ANTA Group's expansive brand roster.

1.2. Research Significance

With the rapid development of China's economy, people's consumption levels and spiritual needs continue to increase. The products of sports brands are not only necessities for life and sports, but buyers also pay more attention to factors such as wearing experience, design style, and cultural connotation. But starting in 2019, China's economic growth rate slowed, China's commercial market strategy adjusted, and international competition began with the China–United States trade war. In

2020, the COVID-19 epidemic sweeping the world has affected the global economic situation. Influenced by these factors, China's overall sports manufacturing industry has also been impacted. In such an economic environment, ANTA Group still maintains its leading position in the international sports industry. Anta Group from the fierce competition in imported sports goods to break through the siege, stand out, has become the first domestic sports goods. The theme of this article is to take Anta Group as an example to analyze and study the operating model and business strategy of top sports business companies. By studying Anta Group's business development strategy, this article understands the macro market operating environment of the entire sports industry. At the same time, it combines the relevant theories and analytical methods of corporate strategy to analyze the Anta Group's market environment, the company's core competitiveness and business acquisition strategy, summarizing the strategic plan and future direction to achieve sustainable development of sports business companies [1].

1.3. Research methods

Based on the research content, this article uses the university electronic library, Google Scholar, CNKI and other data query channels to retrieve literature related to this research. Reading and summarizing these documents determined the research ideas for writing this paper and provided a theoretical basis for this research. This theme mainly uses qualitative research methods to analyze and evaluate Anta Group's business strategy and market environment.

2. Anta Group's Business Status

2.1. Overview of Anta Group

Founded in 1991, ANTA Group is a representative sporting goods company in China. Its full name is ANTA Sports Products Ltd. It has been engaged in the design, R&D, manufacturing, and sales of sporting goods for many years. Its main products include sports shoes, clothing, and accessories, etc., providing consumers with professional sporting goods [2]. The brand logo of ANTA Group is a combination of Chinese and English, which is international, national, and professional. Its brand concept is: "Keep moving forward", which means "stepping forward and never stopping". As the business partner of the Chinese Olympic Committee, the brand reflects ANTA Group's insistence on being ANTA for the nation and the world [3]. As shown in Table 1, Anta Group's revenue as of 2022 is 53,651 million yuan [4] (Table 1).

Table 1. ANTA Group Financial Summary [4].

RMB million	2022	2021	2020
Revenue	53,651	49,328	35,512
Gross profit	32,318	30,404	20,651
Operating profit	11,230	10,989	9,152
Gross profit margin	60.2%	61.6%	58.2%

2.2. Environment

Anta Group's external business environment includes the political, economic, and socio-cultural environment. Especially after China successfully applied for the Winter Olympics, it put forward the slogan "300 million People Participating in Winter Sports " to strengthen winter sports based on the popularity of summer sports. After reform and opening, China has been committed to building a sports power, significantly improving the physical fitness of teenagers, and making them healthier. Seizing the opportunity is crucial to occupy more market share. Sports will become another industrial pillar of economic growth and construction. Regarding the economic environment, at the end of 2022, the National Bureau of Statistics and the State Sports General Administration jointly released the 2021 national sports industry total scale and value-added data announcement. According to official statistics, the whole scale (total output) of the national sports industry in 2021 is 3,117.5 billion yuan,

and the added value is 1,224.5 billion yuan. Compared with 2020, the value-added increased by 14.1%. Among them, the added value of the manufacturing of sporting goods and related products was 343.3-billion-yuan, accounting for 28.0% of the added value of the sports industry [5]. Especially as China holds large-scale international sport events, including media promotion, national fitness has become popular. The fitness methods of Chinese residents have also undergone significant changes, and people have begun to invest in fitness. People can get more professional physical training and guidance in regular sports venues and gyms, and the effect of physical fitness is significantly increased. These environmental impacts have brought business market opportunities to Anta Group. In addition, the "Xinjiang cotton" incident at the beginning of 2022 has greatly increased the awareness and goodwill of Chinese people for domestic brands. At the same time, some international brands, such as Nike and Adidas, have suffered a significant sales hit due to the stigmatization of China.

Anta Group's internal business environment includes organizational structure, supply chain resources and financial resources. In 2019, Anta Group adjusted its organizational structure. Each business unit has an independent CEO, from the independent operation of each brand to the operation of classified business units. At the same time, it will also ensure that the supplier's research and development capabilities, production management capabilities, corporate social responsibility and quality management system comply with the industry's international standards. ANTA Group's significant investment in AMER SPORTS and the cultivation of the company's brand have increased capital demand. The company's capital liquidity is reasonable, with sufficient monetary funds and a continued increase in net operating cash inflows, which can provide better protection for debt repayment. However, the company has large-scale foreign currency liabilities and certain exchange risks [6].

2.3. Anta Group's Acquisition Business Strategy

Anta Group's global development is accelerating, its internationalization is deepening, and its international operating income is also growing. Anta Group owns many internationally renowned sports brands through extensive cross-border mergers and acquisitions. For example, FILA, FILA KIDS, FILA FUSION, DESCENTE, KOLON SPORT and AMER SPORTS, etc. [1] achieve precise positioning of multiple brands. ANTA Group's internationalization process continues to expand, and now it has surpassed Adidas to become the second-largest sports brand in the world. It is the fastest-growing and best-growing enterprise among Chinese sports brand companies.

3. Anta Group's Business Strategy Analysis

3.1. The Impact of Cross-border Mergers and a\Acquisitions on Enterprises

Cross-border mergers and acquisitions by Chinese enterprises began in the 1980s. National policies mainly drove China's cross-border mergers and acquisitions in the early days. After years of development, companies began to carry out purposeful cross-border mergers and investments based on their business strategies. The primary purpose is to promote industrial upgrading, drive production and exports, enter the high-end market, attract advanced technology, and lay the global market. The financial performance of Chinese listed companies improved significantly in the year of merger and acquisition but gradually declined in the following years. Research believes that the main reason for this situation is that these listed companies need more experience in mergers and acquisitions and have sufficient ability to integrate post-merger resources [7]. However, through research and collection of financial performance data of a large number of cross-border mergers and acquisitions in the United States, we found that most cross-border mergers and acquisitions can improve the status of the acquirer in the industry, making the company's core products more competitive and expand business scope [8].

3.2. The Motivation Behind ANTA Group's Continuous Mergers and Acquisitions

3.2.1. Improve market competitiveness

Mergers and acquisitions have become an essential means to increase market power in the capital market. Through mergers and acquisitions, enterprises expand their scale, have more substantial purchasing power, and have more stable sales channels. Their bargaining power with upstream suppliers and downstream customers will increase. The existing competitive landscape of the industry will also change, and this impact will be significant for leading companies in the industry. Top Companies often speed up the process of monopolizing the market through mergers and acquisitions. Once a company has a monopoly, it will be difficult for competitors to shake its market power. These market forces allow top companies to obtain capital to increase product or service pricing, help them get more profits, and lay the foundation for a new round of mergers and acquisitions, thereby realizing a cycle and achieving the ultimate monopoly position.

3.2.2. Reduce transaction costs

The operation of any organization requires a large number of costs. Transaction costs refer to the transaction costs incurred by enterprises during the transaction process, such as negotiation, performance of contracts, and resources required to obtain information. To reduce transaction costs, companies often initiate vertical mergers and acquisitions. This is because the two companies in vertical mergers and acquisitions are in the same production value chain and have certain transaction relationships in the production or operation process. Through mergers and acquisitions, resource coordination in all aspects of production and sales services has been strengthened. This can reduce various transaction costs in the production and sales links, realize mutual sharing of resources, and improve the efficiency of management organizations and systems.

3.2.3. Achieve synergy effect

Scholar J.F. Weston proposed the synergy effect theory for corporate acquisitions. According to the synergy effect theory, companies can achieve added value through mergers and acquisitions. Specifically, it means that the performance of both companies after the consolidation is more significant than before the merger, achieving a win-win situation for both parties [9]. The manifestation of management synergy is that through mergers and acquisitions, management expenses can be compressed to the maximum extent. After the merger and acquisition are completed, the same organization will lead the entire enterprise, and overlapping management levels can be streamlined, reducing management expenses. Even if the management team needs to be adjusted, both parties to the merger and acquisition can learn from each other's management experience and improve management capabilities and models based on integration and optimization. On the other hand, through mergers and acquisitions, the management barriers between the two parties have been broken down, and management resources can be circulated more quickly and efficiently using the overflow management capabilities that may have existed before.

The most apparent change of Anta Group after the merger is the capital increase, and its borrowing capacity is more significant than that of both companies before the merger, making the possibility of the company being unable to repay its debts lower. Share resources within the enterprise to achieve synergy. After mergers and acquisitions, synergies can be achieved in marketing resources, R&D innovation, supply chain management, etc., and resource allocation can be optimized. By continuously acquiring multiple brands, ANTA Group has improved its market coverage and significantly increased its customer base. The group's globalization process has been promoted through the continuous acquisition of international sports brands. The original popularity of the brand can be used to quickly open foreign markets and enhance the group's international image.

3.2.4. Diversify business risks

There are many risks in the operation of enterprises. For enterprises that only operate one product, it is difficult to resist when this only source of income is impacted by policy, market or the quality and reputation of the product itself. According to the theoretical perspective of diversified operations,

compared with single operations, diversified operations of enterprises have apparent advantages in diversifying risks and tapping new profit growth points. Absorbing other companies through mergers and acquisitions, especially diversified mergers and acquisitions, can help disperse the operating risks of existing products and services, reduce the threat of competitors in the original industry, and help the acquiring company solve the problem of stagnant development.

3.3. ANTA Group's Collaborative Development Strategy and Diversified Brand Positioning

After the successive acquisitions from Anta Group, the group's scale and business involved have undergone significant changes. Companies must conduct comprehensive measurements to determine a new overall development strategy after mergers and acquisitions. Formulating the overall development strategy requires a full assessment of the strengths and weaknesses of the acquired brands. The factors evaluated can be summarized as operating conditions, brand age, market influence and channel capabilities. For example, FILA has a history of more than a century. The market brand has high visibility and influence and has excellent intangible value. But before FILA was acquired by Anta, its Chinese market had suffered enormous losses for a long time [10]. DESCENTE had yet to enter the Chinese mainland market before being acquired. Almost all the brands acquired by Anta Group have certain brand advantages. Still, they are operating at a loss or have yet to enter the market in mainland China and lack the characteristics of sales channels. Anta Group has adjusted the overall development strategy of the post-merger brand. Since the acquired companies have been operating for a long time, Anta retained the original brand and allowed the brand to work independently to maximize its intangible value. At the same time, it considered the everyday problems of insufficient profitability and lack of market channels in mainland China for each brand. Taking Amer Sport as an example, after Anta completed the acquisition of this company, it has always maintained an independent operation and marketing. The full decentralization of the parent company can enable its subsidiaries to obtain innovation advantages and operational freedom to the maximum extent, especially for brands like Arc Teryx that win with absolute scientific research capabilities and product capabilities.

ANTA Group acquires multiple sports brands and develops them collaboratively to avoid the risk of internal homogeneous competition. This is the group's primary goal after adjusting its overall development strategy. To prevent the risk of homogeneous competition among multiple interior brands, Anta Group proactively looks for the differentiated characteristics of each brand. By reshaping the brand positioning to achieve the strategic effect of differentiation, synergy and complementation, practical adjustments have been made in products and models according to the characteristics of different brands. For example, after Anta acquired FILA, through market research, it was found that competition in the general sportswear field has become very fierce. In contrast, the fashion sports field is less competitive. Combining FILA's unique design style and connotation, it finally repositioned FILA to specialize in high-end fashion sports and comprehensively adjusted its products and promotional markets [11]. ANTA Group takes an overall view and adopts a differentiated positioning layout by analyzing the advantages of each brand in different fields. Each of its brands focuses on one market direction. The operational direction of each brand is transparent and clear, avoiding internal homogeneous competition.

4. Conclusion

Anta Group has excellent market grasping, resource integration, and continuous innovation capabilities. These factors play an essential role in promoting the development of Anta's global strategy. While maintaining its advantages, the ANTA brand has seized market opportunities and developed into a diversified sporting goods group through continuous mergers and acquisitions. As a top sporting Products Company, ANTA Group entirely plays collaborative operations. It gives full play to the brand advantages, resource allocation, capital operations and market control of various brands within the company. The development strategy of an enterprise is the foundation of its

development. Enterprises should combine their advantages and disadvantages, implement national policies and industry trends, and choose the long-term development strategy of the enterprise. This study has macro limitations on Anta Group's business strategy, and more research on detailed market strategy and post-acquisition brand data needs to be completed. In future research, the resource synergies achieved by Anta Group after acquiring different brands can be studied in more detail, the international market strategy can be refined, and suggestions can be provided for developing sporting goods companies.

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