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## China's Li Ning Toe-to-Toe Against Nike and Adidas

**Chinese athletic wear maker Li Ning is raising its international profile to win over shoppers at home**

by [Frederik Balfour](#)



Wang Chen, who plays for the U.S. national team, wearing Li Ning at a championship  
Xinhua/Grubisic/Imago/Icon SMI

China's top athletic wear maker, Li Ning, has quite a lineup of sponsorships for the Beijing Olympics. There's the U.S. ping-pong squad (the men are ranked 44th globally and the women are 12th), Sudan's track and field athletes (none of whom has ever won an Olympic medal), and Sweden's Olympic delegation (but the athletes won't wear Li Ning during competition, only for ceremonies).

Why would a shoe and clothing manufacturer that does 99% of its business in China bother with athletes from far-flung locales where its products aren't sold? It has to do with Li Ning's unusual position in the Chinese market. The 28-year-old company once ruled China's sneaker business, but today it lags behind giants Nike ([NKE](#)) and Adidas ([ADDDY](#)) even at home. And a big part of the appeal of those powerful rivals is their profile on the global stage. "We don't have as strong a brand" as Nike and Adidas, says Abel Wu, who oversees Li Ning's footwear division. "Our thinking is that as a local brand, we need to have an international image."

Call it paper-tiger marketing. Li Ning tries to create the illusion of being a global player despite its near-total reliance on its home market. In addition to the international sponsorships, the company is running an ad campaign called "One Team, One Belief" featuring European, African, South American—and Chinese—athletes standing in a stadium with their hands across their hearts. And Li Ning has teamed up with the National Basketball Assn. as a sponsor of the "NBA Jam Van Tour." The event, which rolls through dozens of

Chinese cities, includes a basketball court that can be assembled at every stop. Local kids are invited to participate in competitions such as the "Li Ning Slam Dunk Contest."

To be fair, Nike and Adidas also back athletes who have little chance of winning medals. And Li Ning's marketing isn't based entirely on third-stringers from abroad. Its chairman and eponymous founder brought home three gold medals in gymnastics from the Los Angeles games in 1984. Basketball star Shaquille O'Neal is an endorser (but only in China; in the U.S. he wears shoes made for him by Li Ning, though they don't bear the company logo). And Li Ning is sponsoring China's ping-pong players, divers, gymnasts, and sharpshooters at the Beijing Games—all strong medal contenders, but not events where high-tech footwear plays much of a role.

Li Ning makes no bones about admiring its bigger rivals. Its gleaming corporate campus near Beijing, complete with indoor swimming pool, basketball courts, and a climbing wall, seems like a page out of Nike's playbook. Ads feature the slogan "Anything is Possible" (which the company launched before Adidas came out with "Impossible is Nothing," but long after Nike's "Just Do It"). And its logo is strikingly similar to the Nike Swoosh. "They just dusted off a Nike marketing plan, took bits and pieces, and said, "Voilà!" says Terry Rhoads, a former Nike China executive who runs Shanghai sports consultancy Zou Marketing.

Some branding experts say the paper-tiger strategy is paying off. The deal with the U.S. table tennis team cost a fraction of the \$80 million that Adidas is paying as an official Olympic sponsor in China. Similarly, getting Shaq to endorse the brand in China clearly cost far less than persuading the Phoenix Suns star to wear Li Ning shoes in the U.S.—though the company declined to say how much it's spending on any of its sponsorship deals. "They are the most efficient marketer for the Olympics in terms of spend vs. return," says Greg Paull, a partner at market researcher R3 in Beijing. Last year, Li Ning's profits jumped 61%, to \$66 million, as sales climbed 37%, to \$603 million, giving it 9.3% of the Chinese market, according to JPMorgan ([JPM](#)).

## **STILL PROVINCIAL**

With sportswear sales in China growing at 30% per year, there's plenty of room yet for Li Ning to expand. It now rolls out about 600 different shoe styles a year. And in 2004 it hired Ned Frederick, a former research director at Nike, and Portsmouth (N.H.)-based Daniel Richard Design, which has worked with Converse ([NKE](#)) and Saucony, to come up with a technology that could compete with the Nike Air lineup. Their answer was the Basketball Bow, which tops Li Ning's product range at \$140—about \$20 less than the Nike Air Jordan. But most of Li Ning's business is in models selling for \$30 to \$70 a pair. And Li Ning's strength is in smaller cities where the big rivals haven't yet focused much effort. So it still has to prove it can face off against Nike and Adidas in Beijing and Shanghai—let alone the U.S., where Li Ning in January opened a small design office in Nike's backyard, Portland, Ore.

To compete with the big names either at home or abroad, Li Ning may need to decide what it wants to be. Today, it's difficult to say whether it's a trendy brand for urban teenagers or a bona fide performance shoemaker, and simply creating an image of global reach won't clear that up, says Tom Doctoroff, chief executive officer for China at ad agency JWT ([WPPGY](#)). While Nike may now be both, it established its name as a maker of serious athletic footwear before it was ever cool. "The challenge is to link to a brand idea that is the basis for enduring loyalty," Doctoroff says. Li Ning's "helter-skelter messaging is probably not an effective way of establishing that."

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