

# Marketing approaches of nike and li-ning flashcard



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## Marketing approaches of Nike and Li-Ning 1.

0 Introduction Mature marketing approaches bring companies considerable fortune, especially in such a competitive market. Therefore, marketing people play an essential role in planning, decision-making, market segmenting, targeting, pricing and positioning. In the following report, it will explore the marketing theory and practice of two products of two famous companies, the world's largest sports goods company Nike and China's popular sports brand Li-Ning. This report focuses on Nike's basketball shoes and Li-Ning's running shoes. 2.

0 Industry background 2008 Olympic Games took place in Beijing last month, meanwhile, the Olympic spirit is broadcasting everywhere across the world. Increasingly individuals attend sports activities in order to keep healthy. As a result, the sports product industry has developed rapidly over the last two decades. Besides Nike and Li-Ning, there are many competitors such as Reebok, Adidas, Fila and Converse. These companies are the dominant leaders in the marketplace and lead this industry. The sports goods industry especially footwear manufacturing, is currently experiencing intensive competition.

Nike is one of the industry leaders, " with a 47% market share, followed by Reebok with a figure at 16%, and Adidas at 6%" (Hays, 2000, P. 31). Li-Ning Company Limited is one of the leading sports brand enterprises in the PRC which is one of the most popular sports brand in the world. " It has covered more than 90% market share of the world's largest market—China, almost every thirty seconds Li-Ning running shoes will be sold" (Hays, 2000, P. 35).

This category of running shoes is facing decreasing demand because there is the rising popularity of alternative footwear, resulting in more pressure than ever before to achieve high profit through effective global sourcing practices.

3. 0 Company background 3. 1 Nike company Nike, Inc. is the world's leading sports and fitness company, " with 2000 sales of \$9 billion.

" The company has made a strong commitment to sustainability in both word and deed over the past several years. Three core values of the company are " honesty, competitiveness, and teamwork". Despite its size, Nike operates with a minimum of hierarchy. As a result, there is a lot of collaboration and consensus decision-making. Commonly held values are imperative in such a matrix organization. (Nike Official, 2008).

Nike has a strong ability of Research and Development, its new style is always fashionable in appearance and professional in function, for example, Nike dunks, Jordan shoes, Nike air force one. Nike has been manufacturing around the Asian region for over twenty-five years and there are over 500, 000 people today who participate in the production of their products directly.

. 2 Li-Ning company As described on Li-Ning company's website (2008), Li-Ning Company Ltd.

was founded in Guangdong Province in 1990 by LI-Ning who was a Chinese Olympic gymnast. It is one of the leading sports brand enterprises in the PRC. It has its own branding, research and development, design, manufacturing, distribution and retail capabilities. Li-Ning's logo design is based on its own initial letters L and N. The Group's products include sports footwear, apparel and accessories for sport and leisure use which are

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primarily sold under its own Li-Ning brand (Li-Ning Company, 2008). The products of Li Ning sports goods continue to be more popular in China than those of foreign competitors.

4. 0 Strategic marketing and planning Most marketing organizations operate according to formal plans. Pride, Thiele, Waller, Elliott, Paladino & Ferrell, (2007) claim that strategic planning is the process of establishing an organizational mission and formulating goals, corporate strategy, marketing objectives, marketing strategy and a marketing plan. Based on Nike Official (2008), the mission of Nike is to be a company that better than all others in the sports footwear industry. They hope to maintain their position by providing high quality and new fashion comfortable footwear to consumers of all ages and lifestyles.

They promise to make their products easily available worldwide through the use of retail outlets and their company web site. Nike's management believes that their success lies in the hands of our teammates, customers, shareholders and the communities in which they operate. Meanwhile, the vision of Nike is to remain the leader in the industry. They continue to produce quality products that they have provided in the past and meet the ever-changing needs of their customers, through product innovation. In comparison, the primary objective of Li-Ning is to increase its overall market share " from the current 17% to 20% in 3 years time" and defend its first place in China sportswear market against strong competition (Li-Ning Company). To achieve this goal, Li-Ning has to improve the customers' brand recognition, rationalize market segments and the mission of Li-Ning is

through sports, they “ inspire people’s desire and power to make breakthroughs.

” The vision is to be the world’s leading brand in the sports goods industry.

5. 0 Macroenvironmental factors The organization and its suppliers, marketing intermediaries, customers, competitors and publics all operate in a large macroenvironment of forces that shape opportunities and pose threats to the organization”. The macroenvironment consists of six major forces, they are “ demographic forces, economic forces, natural forces, technological forces, political forces, cultural forces” (Kolter, et al, 2006, P. 81). 5.

1 Demographic environment Assessing the demographic environment entails observing and monitoring population trends. The demographic profile includes the size, age, density, location, sex, race, occupation and other statistics of the population (Shank, 1999). The changing age structure of the population is one of the important aspects. Figure 1 shows a diagram in which the ages and sexes for the Chinese population structure. As can be seen from the diagram, there is a large population at the age of 10-50 years old. (U.

S. Census Bureau, International Date Base, 2001). The movement of population is also a problem that both of these two companies should consider. 5. Economic environment The economic environment is another uncontrollable factor for sports marketers to consider. “ The purchasing power depends on the income condition and the consumer spending patterns” (Shank, 1999, P.

78). As figure 1. 2 showed that, the world' s economy has grown rapidly in the past twenty years, as a result, people' s living standard and income have increased as well. However, consumers' spending patterns are more varied.

That means the consumers have different need and tastes. These factors can be a threat to sports shoes companies. . 3 Cultural and social trends Cultural and social trends also influence the market of sports products. Nowadays sports and youthfulness are symbolic of many people' s core values.

More and more people pay attention to sports activities (figure 1. 3). Sports activity seems to be growing in popularity as a result of the renewed emphasis on family values. As a result of this the market of sports wear becomes larger and larger, at the same time the sale of running shoes is increasing quickly (Li-Ning Company).

6. 0 Microenvironmental factors The micro environment consists of the forces close to the organization that affects its ability to serve its customers —the organization, suppliers, marketing intermediaries, customer markets competitors and various publics. " (Kolter, et al, 2006, P. 78) 6. 1 Suppliers The suppliers are an important link in the organisation' s overall customer ' value delivery system', they provide the resources needed by the organisation to produce its goods and service.

Nike and Li-Ning both chose developing countries the biggest supplier market because of the lower cost and huge amount of resources. As a company that wants to earn more profit, Nike reduces its costs as it also has some supplier market in South Africa where there is one of the cheapest labors force in the world. But at the same time Nike also is surrounded by

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some ethical issues. 6. 2 Competitors Competitor is one of the micro-environment factors need to consider.

Davidson, Simon Gottschalk, Hunt, Wood and Griffin (2006) say that an organization that wants to be successful must have 3 distinct characteristics:

1. They are of value to the customer
2. They are better than that of the majority of other competitors
3. They are difficult to imitate or replicate

Nike and Li Ning have the same competitors such as Reebok, Adidas, Fila, Converse, and New Balance. All of them are playing an important part in the sports world. Kotler, et al(2006) define marketing intermediaries help company to promote, sell and distribute its products to final buyers.

They include resellers, physical distribution firms, marketing service agencies and financial intermediaries. Nike maintains more than 100 countries targeting its primary market regions: United States, Europe, Asia Pacific, and the Americas (). Furthermore, the public force especially government policy is another component of microenvironment factors. Some policies are protecting domestic market such as Chinese government has made some policy to encourage Li-Ning which is Chinese brand.

7. 0 SWOT analysis SWOT analysis is a very useful and popular planning tools that product manager use to determine the situation of the product. Pride, Sellit, Rundle-Thiele, Waller, Paladino and Ferrell (2006, p. 34) describe a SWOT analysis can assist with the marketing planning process by addressing issues that need to be considered in the creating of the marketing plan. By recognizing an organization's strengths and weaknesses, it is possible to match capabilities with external opportunities and threats and develop

strategic to assist the organization to compete effectively in the market place.

7. 1 SWOT analysis of Nike  
 Strength: High price, no factories, Market positioning, Charity, Overabundance of products, global brand, Instability of retailers, Board of Directors.  
 Weakness: Opportunity: Create new products, Many competitors, Open more market, Exchanges rate Good reputation, Retailer price competitive, Globalisation, Ethic issue (Africa).

Attending sports activity? 7. 2 SWOT analysis of Li-Ning  
 Strength: Large market, High price for Chinese people, Lower price (compare with Nike, etc. ), Narrow target market, Charity and sponsor, Limitation of products, High recognition in China, Seldom retailer overseas, Good quality ??

Weakness: Opportunity: Create new products, Many competitors, Open global market, Inflation in China, Attending sports activity, Mature sports market, Globalisation?, Government policy.  
 8. 0 Market segmentation  
 Market segmentation is dividing the whole market into direct groups of buyers who might require separate products or marketing mixes, and also it's the process of analysis is customers into groups depend on their different needs, behavior or characteristics.

(Kotler et al. 2006, P231). 1. Geographical segmentation 2.

Demographic segmentation 3. Psychographic segmentation 4. Behavioral segmentation  
 The importance of market segmentation results from the fact that the buyers of a product or service are no homogenous group. Actually, every buyer has individual needs, preferences, resources and behaviors. Since it is virtually impossible to cater for every customer's individual



characteristics, marketers group customers to market segments by variables they have in common.

These common characteristics allow developing a standardized marketing mix for all customers in this segment. For basketball shoes the most important factor should be considered is the demographic segmentation. Shilbury, Quick and Westerbeek (2003 P. 66) believe that “ most important demographic determinants being gender, age, religion, income, occupation, level of education, marital status, geography, and stage in the family life cycle”. Although all demographic variables are important, the age and life cycle, gender and income have the greatest impact on sport consumption. Base on the age and life cycle and gender factors Nike divide their basketball shoes into a few different groups such as 15-24 years old children and 24 years old male and female.

The main market is the group at age of 15-24. Li-Ning also uses the same way to divide its running shoes market. Income can divide market into a few different groups, Nike focus on the middle and above middle class meanwhile, Li-Ning focus on the middle. Psychographic segmentation dividing a market into groups based on social class, lifestyle or personality characteristic (Kotler, Adam, Brown, & Armstrong). Socioeconomic classes have a strong effect on performance in clothing.

people’s economic situation will affect product choice, it will have a strong influence on people consider buying an expensive new basketball shoes or running shoes or buy cheaper one or do not buy it. Because of this Nike and Li Ning usually set up their shop in big city or some rich town. Behavioral

segmentation dividing a market into groups based on consumers' knowledge of, attitude towards, uses for and responses to a product. In order to create high loyalty both Nike and Li-Ning set some VIP card for their high loyalty consumers that offer some special discount and service.

9. 0 Target markets Trying to sell to everyone can be wasteful, as not everyone would demand. Targeting offers the possibility of reducing waste and maximizing market response. "Target market is a specific group of customers on whom an organization focuses its marketing efforts" (Pride, Thiele, Waller, Elliott, Paladino, & Ferrell, 2007). The selection of the appropriate target market follows the process of segmentation. Because of its main target market is young people, Nike's primary starting point for expanding the market will select the youth.

Also the consumers on the market have personality characteristics such as love sports, strong sense of revered hero and sports stars, lively thinking and imagination. Meanwhile, Li-Ning concentrates on its domestic market which proves efficiently. Because China has the largest population across the world different nations have different tastes. Moreover, Li-Ning is China's own brand that protect by Chinese government and consumers.

0. 0 Targeting Strategy A number of strategies can help guide a manager's choice of target markets. "Three of the more common of these are mass-market, niche-market, and growth-market strategies" (Walker, & Boyd, 1999, P187). The marketing organization can adopt one of three market-coverage strategies: "undifferentiated marketing differentiated marketing or concentrated marketing" (Keith, 2000, PP398-399).

Both Nike and Li-Ning use differentiated marketing strategy, because basketball shoes and running shoes can vary in design, both of these two products are in the mature stage of product life cycle, for basketball shoes and running shoes market their customers' needs are different. These factors above are all suitable for them to use differentiated marketing strategy, but at the same time their main competitors also use the same strategy that will bring some challenges for Nike and Li Ning. 11. 0

Positioning Strategy Marketers can follow several positioning strategies.

They can position their product on specific product attributes, usage occasions as well as the need they fill or the benefits they offer. "A product can also be positioned directly against a competitor. Finally, the product can be positioned for different product classes" (Kotler, et al. 2006, P234).

There are a few ways of positioning, in the book principles of marketing Kotler, et al. (2006, p234) write that "Company can position products on specific product attributes, products can be positioned on the needs they fill or the benefits they offer, products can be positioned on the certain classes of users, a product can also be positioned directly against a competitor, finally the product can be positioned for different product class". Choosing and implementing a positioning should identify a positional direction. "The positioning task consists of three steps: identifying a set of possible competitive advantages on which to build a position; selecting the right competitive advantages; and effectively communicating and delivering the chosen position to the market" (Kotler, et al. 2006, P235) Compare with other basketball companies Nike's competitive advantage is the high brand reputation, good design and advanced technology.

So Nike's positioning strategy mixed by all these strategies has been outlined above and it is dominated by the strategy position the product for certain classes of users and specific product attributes. Li-Ning's competitive advantage is the cheaper price and good quality, it also use all of the five strategies, but it is dominated by the approach of positioned on the benefits they offer. 12. 0 Conclusion In conclusion, for Nike and Li Ning to gain a successful market in the sportswear world is not so simple.

There are so many factors they should consider, such as the macroenvironmental and microenvironmental forces. It is a good choice to work out a wonderful SWOT analysis in order to assist in building a smart strategic marketing and planning. Identify the market segments and then chose the right target market, then implement suitable targeting and positioning strategy are also the essential steps for Nike and Li Ning. 13.

0 Recommendations Nike and Li-Ning have already done some good efforts of these a few aspects, but for long time successful there are more they need to do. From this report it is easy to find there are still some drawbacks in Nike and Li-Ning. Nike as a 'big brother' in the sports good market also face some ethic issues that may deduct the reputation of its brand, such as the issue of using cheaper labor force. In the sensitive circumstance in nowadays Nike should try to avoid this debate issue. Nike also should abroad its target market to achieve more market share. Li-Ning as a leader of Chinese sports goods company, it also need to explore more new products to gain a bigger market scale and develop new technology in order to catch up with the fast development of the world.

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(3rd ed). United States: McGraw Hill 14. 0 Appendences Figure 1. 1

Population structure in China Source: U. S. Census Bureau, International Date Base.

Figure 1. 2 Gross domestic product 2007 Source: World Development

Indicators database, World Bank, revised 10 September 2008 Figure 1. 3

Attendance rate in Australia 2005-2006 Source: Australian Bureau of

Statistics, 4174. 0 – Sports Attendance, Australia, 2005-06 Latest ISSUE

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