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Chinese sports brands try to match big boys

They are promoting their names abroad

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For Mr Jay Li, general manager for Li Ning International, venturing overseas is a process of finding out what aspects of the Chinese brand would resonate with the American consumer. -- PHOTO: ASSOCIATED PRESS

BEIJING: Turf wars are heating up in the lucrative global sports apparel business, as Chinese brands hit back against a headlong charge into the mainland by foreign companies with forays of their own overseas.

Fresh from conquests of urban markets like Beijing and Shanghai, international brands such as Nike and Adidas are muscling into China's smaller cities, lowering prices in a bid to draw customers from the home-ground of their Chinese rivals.

But the likes of Li Ning and Peak are not standing pat, with the latter in particular making waves with snazzy marketing drives overseas.

Both brands have stepped up their overseas presence, signing up young starlets from the sneaker marketing machine that is the American National Basketball Association (NBA).

Doing so, they gamble, will give their products the elusive cool factor and enable them to grab a bigger share of the global US\$122 billion (S\$155 billion) sports apparel market.

'All of them can't afford to stay in their comfort zones,' said consumer analyst Zhao Hong. 'If the foreign brands do not go into the third and fourth-tier cities here, their market share in China will gradually shrink.'

'And if the Chinese companies do not try their hand overseas, their competitiveness will dip. They can't always rely on the domestic market. It is like walking on just one leg.'

The strategies being employed by both sides in this particular fight differ wildly.

The cool global brands want to go cheap. The cheap Chinese brands crave to be cool.

Nike, for example, is looking to offer cheaper sneakers in China, at about 300 yuan (S\$50) a pair. The American outfit, which enjoys the largest market share of all brands in China with about 17 per cent, usually retails its shoes at between 500 yuan and 1,500 yuan.

According to UBS Securities, sports shoes priced between 170 yuan and 250 yuan are the bestsellers in China's second- and third-tier cities, such as Wuhan and Taiyuan.

To feed this growing market, Nike opened its biggest logistics centre in Asia in coastal Jiangsu province last month.

Adidas wants a piece of the China sports apparel pie, estimated to be worth 115 billion yuan by 2015, too.

The German brand's chief executive Herbert Hainer told analysts on Wednesday that it plans to have 500 additional points of sale in China this year.

But, analysts say, turning the global giants' ambitions on the mainland into reality is not quite a slam dunk.

'The people do not have such disposable income. Nike and Adidas must be prepared to go a few years without profits,' said sports products analyst Ma Gang.

The same could be said for the Chinese brands going abroad.

'They are heading out to test the market, to show that they can be more than a Chinese brand,' said Ms Zhao. 'But it has very little impact on their revenues.'

Li Ning, the most successful of the Chinese brands, said international operations make up only 2 per cent of the company's total revenue.

Venturing abroad, says Mr Jay Li, general manager for Li Ning International, is more of a learning journey.

'It's a process of finding out - while staying true to our heritage, our brand - what side of our DNA is going to resonate with the American consumer,' he said.

'We're still searching, to be perfectly honest with you. And we're not in a hurry.'

Last year, the company signed rookie Evan Turner of the NBA's Philadelphia 76ers to wear its sneakers - widely seen as a coup because he is viewed as an up and coming star.

Turner joins players such as Boston Celtics centre Shaquille O'Neal, one of the league's most marketable faces.

But surprisingly weak orders for the second quarter this year sent its share price plunging over 15 per cent in Hong Kong in January.

Experts said that Li Ning has become stuck in the middle. It is not as cool as Nike, but its prices are higher than that of other Chinese brands.

Instead, lesser-known names like Anta and Peak - a former equipment manufacturer of foreign labels in southern Fujian province - are projected to have brighter futures, said Credit Suisse, since they have remained focused on the mass market.

Peak, in particular, has been drawing a lot of attention in the US lately.

Its slick marketing and website have received positive reviews. At the NBA's recent All-Star Game, it received national publicity after one player, Washington Wizards' centre JaVale McGee, took to the court for the slam dunk competition in a pair of Peaks.

McGee did not win the contest, which rewards players who conjure the most eye-popping dunks, but generated a big buzz for Peak with his mismatched sneakers - one in red, white and blue and another in red and yellow, the colours of the US and Chinese national flags.

Peak has also signed other NBA stars, such as Jason Kidd and Ron Artest, and is gaining some street cred in the US as a result.

But its marketing strategy is primarily targeted at the Chinese audience.

Its intentions were on display over the Chinese New Year, when the company aired an ad here featuring its NBA stars sending season's greetings dressed in red and speaking awkward Mandarin.

Noted Mr Ma: 'Having these stars has a bigger impact here than overseas. After all, many Chinese still look up to the West.'