

## Research Article

### Thinking Trap of Chinese Rural Diet Sports Goods Industrial Development

Huang Lu

Department of Physical Education, Hebei United University, Tangshan, 063009, China

**Abstract:** The brand development dilemma of Lining discloses a series problems in Chinese rural diet sports goods industrial development. Seen from the angle of commercial comments, the thinking trap and result of commercial decisions are reviewed to provide reference for the thinking inspiration in commercial circles and academic circles. According to the comments and analyses, the product technology upgrading is a media “myth” representing the high technology, in which the localization factors and conditions of Chinese rural enterprises should be considered fully. Chinese rural enterprises should not only pursue product technology upgrading. Policy support issue may change into policy dependence, which gets rid of the benign ecology of enterprise competition oriented by product technology and marketing. International development strategies of enterprises should be based on the local market. Blind international expansion with no knowledge of commercial trend will influence the resources arrangement and overall strategic balance of the enterprises, or even drag down the domestic market. Fast Fashion and Fast Element is not the commonly applicable commercial rule, but should be understood deeply and used reasonably by enterprises.

**Keywords:** Business model, diet sports goods industry, international strategy, lining brand, technology innovation

#### INTRODUCTION

In the latter period of Beijing Olympics, the development speed of Chinese rural diet sports product industry was slowed down (Zaijun and Xing, 2011; Zenggao *et al.*, 2004). At the beginning of 2013, the domestic diet sports enterprises such as LI-NING, Peak and 361° all published the performance loss announcement, among which, LI-NING lost nearly 2 billion and closed 1821 stores. This is the first loss since the corporation was listed 8 years ago. Brand LI-NING once was the symbol that Chinese rural diet sports product industry has emerged, but now it is trapped in a dilemma. Chinese rural diet sports product industry, now still in the preliminary development stage (Zhongwei, 2012; Qiangdiao *et al.*, 2006), needs to constantly learn from the advanced experience of the global diet sports product industry development, to further explore the development path of localization.

#### METHODOLOGY

**Technical upgrading of products:** The second economic globalization process after Cold War is the new capitalism “golden age” when multinational enterprises from developed countries sought external expansion and profit maximum development and a process of global resource exploitation utilization and industrial chain integration. The international first-line diet sports brands like Nike and Adidas etc., all transferred the processing and production overseas and

then Japanese diet sports product enterprises followed such as Mizuno and ASICS, the purpose of which was to control the increasingly rising production and living costs within the developed countries (Yufeng *et al.*, 2011).

Economic globalization shows the hierarchy rank of country's economic strength and further represents the unequal relation of global economic hegemony structure caused by capitalism primitive capital accumulation. The rising of a country's rank and its international status basically maintains positive correlation with the global economic structure relation. The economic and social development after China's reform and opening is the transformation process from OEM (Original Equipment Manufacturer) model to created brand production, which in the future will transform to independent research and development innovation stage. The regional change of diet sports brand OEM model implies that no matter in Japan, Korea, Taiwan, Hong Kong in the history, or in China, India and Southeast Asian countries in the present, to achieve volume production is unrelated to technology upgrading factors. As long as a country has the competitive advantage of demographic dividend, it will achieve batch production (Xiaohe *et al.*, 2011).

From the perspective of the diet sports product consumer, they pay attention to two consumption experience issues: first, on the product perception, to achieve beautiful appearance, comfortable and durable practical value; second, on brand identity, to reflect the “identity and status” comparable to customer

consumption, namely it must worth the consumption and brand identity must not be connected to "staple goods". The consumer's product perception seems to be amateur and vague, who are not concerned about professional problems such as high-tech content, patent, innovation design etc. Further speaking, the technology degree of product is a vague specific state in the consumers' awareness. The hackneyed and stereotyped expressions of contemporary media advertising build the high-tech "myth" image of product. On the competition of diet sports shoe products, there are Nike basketball shoes from America, Adidas football shoes from Germany, ASICS running shoes from Japan and SCARPA outdoor functional shoes from Italy etc., (Youhua and Huamao, 2011). It is difficult to compare the advantages and disadvantages of these countries' diet sports brand. It is only able to say that they have their own fist products on a certain functional shoes or specifically to a type of shoes with advanced technology and design innovation advantage, with a flagship product as the marketing gimmick to practice marketing strategy of "The 80/20 Rule" and strive to enrich the connotation of brand in order to meet the customers' psychological expectations for high-technology (Xingguo, 2010).

Dilemma of LI-NING is not resulted from excessive pursuit of product technology upgrading, but the Chinese rural diet sports product enterprises in the preliminary development stage generally lack the devoting enthusiasm for product research innovation and technology upgrading. It is much easier for them to imitate product appearance and clone technology combination that cost less than independent innovation.

**Policy support:** The 1990 Beijing Asian Games created rising of Brand LI-NING at the time of erupted nationalism and national oriented guideline of focusing on local brands. Depending on the policy dividends, LI-NING became the national diet sports brand renowned to every family in the mainland China area. Here the policy dividends refer to: first, policy and funding support from government; two, cultural spirit and ideology level. Behind the advertising market effect packed with national image and "China Rise", it is the cheap or symbolic sponsorship provided by national policy, public image and symbolic connotation transferring cultural spirit. LI-NING obtained "first pot of gold" due to cultural dividend and steadily pushed forward the construction of entity enterprises in the following 10 years. It establishes factor innovation of enterprise competitiveness such as the licensed franchise system, capital alliance distribution network and independent design and development center etc. and kept close relationship with relevant administrative departments that provided LI-NING cultural and policy dividends. In 3 successive years LI-NING was honored with enterprise image "certification" like Chinese rural Olympic delegation sponsor and clothing provider.

After the Beijing Olympic Games, sales volume of LI-NING increased sharply. In 2009 the sales revenue of domestic market was 8.387 billion, with a 25.4% increase compared with the same period. In 2009, Adidas sales income of Chinese rural market was about 7 billion, with a 16% decrease compared with the same period. LI-NING exceeded Adidas, followed by international second-line brands like Converse, Mizuno, Puma and Reebok etc. However, good time does not last long. In 2011 according to the annual report of 5 local diet sports product enterprises, the net profit of Anta, 361°, Xtep, Peak and LI-NING was respectively 1.73, 1.13, 0.97, 0.78 and 0.386 billion, respectively (Hongxia, 2009). There was an obvious turning point for LI-NING with a profit warning issued from the enterprise internal. A series of competitive elements of enterprise competitiveness appeared, so it was trapped in the competitive situation tough to stop loss. Enjoying the cultural and policy dividends at the same time, LI-NING chose to adjust the conservative enterprise strategy of traditional operation mode partly. This unhealthy market competition environment formed the internal contest of exploiting public resources, policy and awareness advantages rather than taking advantage of the scarce policy recourse to promote the industry (Boyle and Haynes, 2008; Wei, 2010).

## INTERNATIONAL DEVELOPMENT STRATEGY

Enterprise Internationalization Strategy is a development strategy expanded from enterprise production and service localization. More accurately, it is the commercial behavior searching for expansion space from overseas market, under the prerequisite that the domestic market business of an enterprise is in saturation. In some degree, localized existence of an enterprise is the foundation of international strategy, so the fist products of those main international diet sports brand all have stable local market. Without the growth process of localized enterprise, there will be no improvement stage of globalized enterprise. The main business market of LI-NING is now being occupied by brands like Adidas, Nike, Anta and Peak etc. Under the premise that it is difficult to control the domestic market and to form overwhelming advantage for core product of basketball shoes, blind to make an international strategy and expand business scope of main products will possibly lead to the commercial consequence that international strategy is aborted and losing the domestic business market; involving a wide range of different main products and distributing too much enterprise resources and energy, losing the main fist product market at the same time.

LI-NING international strategy only stayed in the superficial recognition, namely selling local products with Chinese rural cultural design elements overseas

and simply operated the business of self brand exportation and licensed franchise. But this kind of international strategy with price advantage of overseas dumping in another form does not have competitiveness at all. Firstly, the core technology of diet sports product is commanded by the main international diet sports brand enterprises, generally adopting M and A, joint ventures, strategic alliance, international exchange, technical cooperation and other forms to achieve technology transfer and upgrading. Core technology is the lifeline of enterprise development (Ying, 2010; Zhong, 2011). Even if technology cooperation relation is reached, a high price has to be paid.

Secondly, when encountering product technology upgrading and innovation bottleneck, technology “short board” should be compensated by production design and commercial mode. Thirdly, after the Beijing Olympic Games, LI-NING transferred to international strategy. From the nominal aspect it was to expand overseas business, distribute and avoid the competitive risks in the domestic diet sports product market, but actually it was relying on “China Rise” to dig culture exporting gold with comparative advantages formed through acquisition of cultural and policy dividends cheaply. Fourthly, the most basic characteristic of enterprise international strategy is global allocation of resources. Chinese rural enterprises are facing pressure of domestic production and the living rising cost.

In the 1990 Beijing Asian Games and 2008 Beijing Olympic Games, LI-NING acquired brand improvement in a great degree. Cultural and policy dividend, the core competitive advantages of an enterprise, or national spirit, the Chinese rural cultural spirit in special periods significantly promoted LI-NING growth, while also brought negative effect of path dependence and lack of innovation.

**Rapid response mechanism:** The LI-NING “rapid” strategy is mainly manifested in the implement level of product sales and cultural level brand conception reshaping. For one side, integrating and reshaping the product supply and marketing system to improve the speed of product distribution and to build a supply chain mode more flexible and more close to the market demand so as to reduce product inventory pressure, enhance the enterprise operation efficiency (Kusz, 2007). LI-NING attempted to reform and innovate in the mode of traditional wholesale distribution and did improve the supply chain efficiency. However, the commercial mode innovation under the circumstance of new media should be exceeding. If traditional commercial mode is not transferred gradually, get away from the single store sales, then any innovation cannot adjust to the changes that exceeding commercial modes bring.

For the other side, speed up the manufacture step of product design, mastering the commercial opportunity of “rapid” innovation, “rapid” copy and

“rapid” fashion to shorten the design and production period of new products and occupy the fashionable culture to improve the brand recognition degree among the teenager and youth group. The fashionable diet sports style of Adidas, paying attention to fashion and retail market, has the suspicion of copying “rapid” brands like ZARA and H and M etc. Adidas won strategic brand accumulation effects in the Chinese rural market targeted at teenager and youth groups (Zenghao, 2011).

The original intention of enterprise to build rapid response mechanism is to improve the enterprise operation efficiency and market response speed in order to win a commercial result with low input but high return. Improvement and Reshaping of rapid response mechanism must first consider the giant commercial potentials that commercial mode innovation may bring and improvement effects brought for product flow and sales steps. The concentration of enterprise building rapid response mechanism is also reflected from production design and production with “pursuing the fashion wind and playing the fashion cards”. No matter what kind of brand product with a certain style, pure fashion products or personalized products are all attempting to absorb the newest fashionable cultural elements. The optimization and enhancement of LI-NING to the current commercial mode should be positive, but it ignored the giant commercial opportunity hidden in the commercial mode innovation, especially led enterprise rapid response mechanism astray. “Rapid” copy and “rapid” fashion without purpose cannot compare with “rapid” brands of ZARA, H and M and Uniqlo etc., (Zhiqiang, 2012) and the nationalism brand stand and cultural style of 60s LI-NING was lost completely.

## COMMERCIAL MODE INNOVATION

Commercial mode innovation cannot be quantified like technology innovation or achieve procedure control, but invisible, unique and applicable to the enterprise conditions itself. It is easy to discuss but hard to implement commercial mode innovation, because a good development line, path or idea belongs to scarce resource. First, there should be a deep comprehension of advantages and disadvantages of enterprise intrinsic business mode, segments of product market environment and development directions and then further combine the enterprise resources and conditions to consider twice and prove and finally the key step is a good development line full of commercial imagination, market judgment and random uncontrollable factors coming out timely. For instance, “One cares One” consumptive welfare mode jointly launched by 361° and China Foundation for Poverty Alleviation solved “Not asking for need” phenomenon existed in the welfare donation for a rather long time and “one-time,

motivate” “project financing” mode. Three hundred and sixty one degree consumptive welfare mode make the enterprise social reasonability prominent for one side and build positive brand image among the large middle clients and Red Sea market, cultivating consumption potentials of low-end customers and brand recognition between teenagers and youth groups for another side.

The commercial mode innovation surrounding technology reform has critically significant commercial status, namely the changing technology mode in the commercial mode innovation. The coming of internet society completely changed the living environment of enterprise and way of thinking. In order to achieve higher profit target, an enterprise must achieve network survival and must involve in the field of electronic commerce. LI-NING only used simple B2C network retail mode, building official website sales platform of the enterprise, opening official flagship stores in e-commerce platforms such as Jingdong, Taobao and Vancl etc., (Hongyao and Fei, 2012; Chengdong, 2011). The marketing methods, product discounts and refund performances are different, difficult for them to unify the marketing speed, as long as the active participation of some distributors, forming the situation of self competition.

LI-NING did not actually realize the marketing essence of e-commerce, namely actively creating a network marketing topic, carrying on effective network marketing activities in depth into the discussing procedure of network society in order to improve the brand online value and further forming the brand interaction effect with the offline products. For example, Coca-cola adopts the marketing mode of Weibo topic, especially relying on the network influence of identified Big Vip users to promote the Coca-cola “nickname bottle” and personalized creative product marketing of “fans bottle” (Jingwen, 2012; Hongyao and Fei, 2012). This marketing innovation form is mainly based on O2O, transforming the online customers orders into real products, through express service or QR Code to achieve connection and to combine the online and offline space. From online to offline enjoying the product and service, the product marketing cost is lowered. The number of customers is the main source of enterprise competitiveness, while what LI-NING lacks is the enterprise spirit “changing for customers”, namely always surrounding the customer value and market demand to carry on effective commercial mode innovation, which is the fundamental way to creative and maintain customer number.

### RECOMMENDATIONS

First of all, the development strategy of Chinese rural diet sports product enterprise should focus on the issue of priority. Compared with product core technology, commercial mode innovation is more

urgent and with more appreciation potentials. Compared with enterprise international strategy, local market has more improvement space and should not avoid the difficult problems during the process of enterprise development. Fashionable economy is the important social and cultural resources that enterprise can take advantage of in the development process. Problems related to fashion such as history, culture, commerce, elements, design, strategy and brand etc., require the enterprise to comprehend deeply and apply reasonably. “Rapid” fashion and “rapid” element are not universally commercial rules applicable all the time. Enterprise competition does not have identical commercial mode and there is not good or bad commercial mode, but only personalized suitable commercial mode. Imitating commercial mode will only lower the height of enterprise market access and the enterprise will lose before the contest begins. Idea innovation or specific innovation must have the same treatment and respect with technology innovation. The enterprise itself must form the atmosphere and tradition of respecting idea innovation and establish relative system and mechanism to release, protect, encourage and apply the creative idea inside and thus the enterprise is able to obtain both benefits, collect different advice to reach a consensus and go further and further.

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