

A Research on Li Ning's Brand Innovation Strategy from the Perspective of Enterprise Life Cycle

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Abstract: When an enterprise crosses a long-term development into mature stage, the organizational structure always tend to be rigid, the willingness to improve will decline, and other problems will also follow. How can we overcome the disease of large enterprises, and even avoid the crisis of decline? The answers given by researchers and managers are often related to organizational reform. Li Ning's development process may point out a new idea for the development of enterprises: brand innovation. Based on the theory of organizational life cycle, this paper will analyze the whole process of Li Ning's brand innovation to overcome the decline, in order to provide reference for other enterprises, especially those in the transitional stage.

Keywords: The theory of organization life cycle, Organizational reform, Brand Innovation.

1. Introduction

According to the theory of organization life cycle, the development process of an organization can generally be defined as five stages: entrepreneurship, growth, maturity, decline and redevelopment. Enterprise organizations in different stages often have different development characteristics and different development problems [1]. Generally, when a company crosses the growth period and gradually develops into a huge enterprise group with huge size and complex management structure, bureaucracy, organizational rigidity and other "big enterprise diseases" will also follow. Organizational reform has become the only way for enterprises to maintain survival and sustainable development. Then, how can modern companies implement effective organizational reform to overcome, or even totally avoid the crisis in the decline and transit into the redevelopment stage? The answer given by Li Ning, a Chinese traditional sports brand, is brand innovation. Based on the theory of organizational life cycle, this paper deeply analyzes the development process of Li Ning, summarizes the reform background, innovation process and different results of its two brand innovations, and analyzes the whole process of overcoming the organizational life cycle through brand innovation, in order to provide management advice for the transformation and upgrading of other enterprises.

2. Theoretical Mechanisms

The development of enterprises has its inherent characteristics and rules [2]. Scholars at home and abroad have studied the development process of enterprises from different perspectives, and put forward various enterprise life cycle theories, among which Mason Haire's viewpoint is the most widely recognized in the division of enterprise life cycle stages. In his opinion, the development of enterprises has a cyclical growth curve which can be divided into five stages: entrepreneurship, growth, maturity, decline and redevelopment [1]. Focusing on the theme of "how to cross the decline period of enterprise organizations", Jiagui Chen proposed the theory of "transformation period" on the basis of the overall enterprise life cycle theory, which believed that enterprise organizations confront two different directions

after entering the decline period. One is extinction while the other is reforming its form and continues to exist, just like insect metamorphosis [3]. With the rapid development of modern commerce, more and more enterprises have gradually crossed the growth period and developed into huge business institutions with huge size and complex organizational structure. At the same time, bureaucracy, organizational rigidity and other "big enterprise diseases" have also followed. In this context, it is of great significance to explore various enterprise transformation modes, to study how to promote organizational reform through management strategy, and help enterprises cross the organizational life cycle for further development.

3. How Li Ning Accomplish Transition through Brand Innovation

3.1. The Introduction of Li Ning

Born in 1990, Li Ning company originated from the "Li Ning brand" founded by a famous gymnast Ning Li in Sanshui, Guangdong Province, whose business scope is mainly leisure sports clothing, sports equipment. In addition, on the basis of the core brand "Li Ning", this company has actively expanded the production, development, promotion, distribution and sales of sports products of multiple associated brands, including Aigo (a brand of outdoor sports equipment) and Kaisheng (a brand of badminton products), and built a systematic sports product matrix. As a leading sportswear brand in China, Li Ning has a strong management and brand operation team for product design, product research and development, marketing. At present, it has built a strong brand marketing network and supply chain system in China and even in the world.

As of July 2020, Li Ning had already possessed nearly 6000 domestic sales points, and was actively exploring markets and developing overseas businesses in Southeast Asia, Europe and the United States. In terms of brand culture, Li Ning summarized its corporate mission as "burning passion with sports", advocated the business philosophy of "winning dreams", "consumer orientation" and "breakthrough", put forward the brand slogan of "everything is possible", committed to the creation of China's professional sports brands, and strive to change life through sports and

passion.

3.2. The Development Process of Li Ning from the Perspective of Enterprise Life Cycle

3.2.1. The Stage of Entrepreneurship

The stage of entrepreneurship is the infancy of an organization which is characterized by the small scale of the enterprise. The operation decision usually depends on the individual entrepreneur. The phased tasks of enterprise development mainly include the start of business, and the establishment of organizational structure.

Li Ning company experienced its entrepreneurial stage from 1989 to 1991. At this stage, the development of Li Ning brand started, and the brand popularity continued to improve, growing into a nationally renowned domestic brand.

The significant events in the entrepreneurial stage mainly included: In 1989, the founder Li Ning started his business and the trademark of "Li Ning brand" passed the official examination and got the approval; In 1990, Li Ning company was formally established in Foshan, Guangdong Province, mainly engaged in the production and sales of sportswear; In August of the same year, Li Ning won the bid and became a sponsor of the Asian Games. Its brand image of sports and passion spread rapidly in the domestic market, and its brand popularity increased significantly, which also made a certain popularity in the world; In 1991, Li Ning announced that it had fully entered the field of sportswear and operated the production and sales of sportswear, which means its entering the stage of steady growth.

3.2.2. The Stage of Growth

The stage of growth is the youth of an enterprise which is characterized by the expansion of market business, the sharp rise in the number of employees, the continuous expansion of organizational scale, and the diversification and complexity of organizational structure. Its phased tasks mainly include the expansion of business scale, the development of new markets, and the shaping of its own brand.

Li Ning company experienced its growth stage from 1992 to 2004. At this stage, Li Ning actively introduced the ERP management system to prompt the promotion of advanced technology and optimize operation process, and achieved ideological unity in the aspect of organizational culture, which greatly improved the cohesion of the enterprise.

The significant events in the growth stage mainly included: In 1993, Li Ning took the lead in establishing a huge marketing network nationwide by rapidly expanding in the form of franchising; In 1997, the self-operated distribution network was initially established, realizing the mutual supplement between self-operated stores and franchise stores; In 1999, Li Ning reached an agreement with SAP to customize and implement the Clothing and Footwear Solutions, and became the first company in the sportswear industry to implement ERP (enterprise resource planning). In the meantime, Li Ning also actively integrated the corporate culture and achieved unity in values and mission. In 2002, Li Ning proposed a new brand positioning phrase - "Li Ning, everything is possible"; At the end of the same year, Li Ning integrated the company's mission, brand appeal and long-term business development strategy, which meant the start of scientific and systematic brand marketing; In November, 2003, Li Ning began to implement the E-Pos project, the channel management information system was officially launched; In 2004, this company was successfully listed in Hong Kong, becoming the first sportswear enterprise from the

mainland listed in Hong Kong, which suggested that Li Ning has crossed the growth stage into the mature stage of the organizational life cycle.

3.2.3. The Stage of Maturity

The stage of maturity is the middle age of an organization. At this stage, the scale of the enterprise is relatively large, and many subordinate production and business units and branches have been derived. In terms of geographical space, it often shows cross regional operation while in terms of business areas, it shows a diversified development trend, and the enterprise begins to operate cross-border business.

Li Ning company experienced its growth stage from 2005 to 2010. At this stage, Li Ning gradually expanded from Chinese market to the world, began to develop international consumers and explore overseas markets, and its model of business expansion and brand marketing also tended to mature.

The significant events in the maturity stage mainly included: In January, 2005, Li Ning company signed an agreement with NBA and became the official designated market partner of NBA; In April, it reached a strategic cooperation with Swarovski, the world's largest crystal-cutting manufacturer, and began an initial attempt to integrate fashion elements into the field of sports; Since then, Li Ning has actively signed contracts with star athletes and sports institutions both at home and abroad, actively sponsored and held various sports events, which made this company quickly become the leading enterprise of Chinese traditional brands in sportswear industry.

3.2.4. The Stage of Decline: The First Attempt of Brand Innovation

The stage of decline is the old age of enterprises, which is characterized by rigid organizational structure, prevailing bureaucracy, declining market performance and declining market position.

Li Ning company experienced its decline stage from 2005 to 2010. At this stage, Li Ning turned from prosperity to decline. Although it could still maintain a certain level of operation and sales scale, its profit level fell sharply and its market status was threatened.

Unlike most enterprises forced to transform in the face of the pressure of survival and development during the decline stage, Li Ning was at the peak of its market performance in 2010, with 8000 stores and a revenue of nearly 9.5 billion yuan, and a market share of nearly 10%. It had surpassed Adidas to become the second largest brand in the Chinese market of the sportswear industry, and its brand influence was second only to Nike. However, there is potential brand crisis under Li Ning's perfect market performance. In terms of the macro industry situation, the rough expansion mode has promoted the rapid expansion of the market scale for a long time. However, many problems such as product homogeneity and insufficient innovation ability have also become increasingly prominent. The market growth rate of the industry has plummeted from over 30% in 2008 to 10% in 2010. In addition, the management also noticed the problems of Li Ning brand itself: on the one hand, the brand image is aging. With the age growth of Li Ning's main consumer groups, consumers aged 30-40 accounted for more than 50%, which is not in line with the industry trend of younger consumption, but also in conflict with Li Ning's young, passionate and burning brand image; On the other hand, in order to seize the market, Li Ning has long adopted a rough operation mode dominated by franchise stores, resulting in

the lack of effective supervision over the supply chain and sales terminals.

To overcome these problems above, the managers of Li Ning chose the measure of brand innovation and put it into practice. In terms of brand positioning, Li Ning tried to shift its core positioning from sports to leisure, formulating and implementing a drastic "brand remodeling plan". One of the most controversial measures is the change of brand positioning slogan: giving up the original slogan "everything is possible" and taking "let change happen" as a new brand pursuit. In addition, Li Ning also updated the brand logo and launched a new method of event marketing in attempt to attract younger consumer groups. In terms of brand image, Li Ning tried to give up the image of domestic brands focusing on cost performance and move the brand image closer to high-end international brands such as Nike and Adidas. The specific measures mainly included seeking to transform to high-end through developing new products and raising product prices, developing and listing a series of young and high-end products such as "post-90s Li Ning" to meet the fashionable and cool consumption concept of young consumers.

However, the attempt of brand transformation ended in failure. In terms of brand positioning, the transformation from sports to leisure has led to the disorder of the core demands of the brand. At the management level, the huge gap in product transformation has led to a series of organizational management problems. And at the market level, the sports brand characteristics of "passion, courage, and determination" favored and recognized by consumers have been lost [4]. Secondly, in terms of brand image, on the premise of lack of technical accumulation and marketing experience in the field of leisure clothing products, blind price increases led to the loss of cost-effective advantages and loyal customers, while the new generation of consumer groups were not attracted; Finally, Li Ning hasn't implemented effective countermeasures against its serious inventory problems. The inventory crisis worsened, a large number of franchisees' revenue fell and the trend of closing stores began to spread. In 2012 alone, 1821 stores were shut down successively, and the operating revenue decreased by 24.5% year-on-year, with a total loss of nearly 2 billion yuan.

The failure of brand innovation turned Li Ning from prosperity to decline and entered its decline stage. Reflected in the revenue, the revenue fell, the share price fell sharply, and the number of stores fell sharply; In terms of market position, Anta sports took the lead in entering the "ten-billion club" of Chinese sportswear company in 2015, surpassing Li Ning to become the leader of the domestic sportswear industry.

3.2.5. The Stage of Transformation: The Second Brand Innovation

Due to the failure of the first brand innovation, Li Ning not only failed to achieve the transformation, but also quickly fell from the peak to the bottom. In the international market, it was suppressed by Adidas, Nike and other well-known brands; In the domestic market, it was caught up by Anta and other later brands. Under the pressure of external competition, all employees of Li Ning are holding their breath, trying the second brand transformation, which has become an inevitable requirement for Li Ning's survival and development. In 2015, Li Ning started the second attempt of brand innovation.

On the one hand, the key to brand transformation was the reconstruction of brand image. After the founder Ning Li

returned, he formulated and implemented a strategy called brand focusing, replacing the brand positioning language from "let change happen" to "everything is possible", hoping to reshape the brand image of focusing on sportswear and restore consumers' recognition. First, focus on core categories, gradually abandoned secondary categories such as table tennis, which have less public participation and less related products, putting marketing resources into core sports fields with high public participation and rich related products such as basketball and running. Secondly, focus on core brands. That is, the marketing resources and brand strategy will focus on Li Ning's main brand and reduce the investment in product development and marketing promotion of other associated brands. For example, in 2018, Li Ning terminated the long-term cooperation agreement with Lotto 10 years in advance. Finally, focusing on sports characteristics. In view of the strategic mistake of brand positioning from sports to leisure in the first brand innovation process, Li Ning took professional sports as the basic positioning again. On this basis, he continued to increase product R & D investment in the field of sportswear, so as to improve the quality of products.

Li Ning's second brand innovation is undoubtedly successful. In the short term, the "Three Focuses" enabled Li Ning to rebuild its image and get out of the dilemma of continuous decline in brand influence and continuous losses. In 2018, Li Ning's operating revenue exceeded 10 billion, reaching 10.511 billion yuan, an increase of 18% year-on-year; In the long term, Li Ning has achieved organizational reform in the internal management and external resource integration of the organization through brand innovation, crossed the organizational life cycle, and entered a new redevelopment stage.

4. Conclusion and Management Advice

Li Ning's brand innovation process tells us that when facing the dilemma of enterprise organization life cycle, it is not necessary to complete the transformation through the BPR (Business Process Review). Compared with the BPR with complex procedures and high costs, brand innovation may be a shortcut for modern enterprises to complete organizational reform and span the decline stage of organizational development. In addition, by comparing the two brand innovations, it can be found that the personal quality and personality charm of managers, the gradual organizational reforming plan, the enterprise culture of willing to change and being aggressive are all important factors that affect whether the enterprise reform can succeed, whether the enterprise can cross the decline stage and achieve further development.

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