

Hoping for a global brand made in China

Joe Nocera



A sneaker from the Chinese maker Li-Ning shows an unmistakable Nike influence. (Du Bin for The New York Times)

We were sitting in a small conference room in Li-Ning's Beijing headquarters, Guo Jianxin and I, talking about the importance of brands in China. In case you've never heard of it - and I'd be a little surprised if you had - Li-Ning is a Chinese sneaker and athletic wear company named for its founder, Li Ning, a Michael Jordanesque figure in China who won three Olympic gold medals in gymnastics in 1984. Six years later, realizing that China lacked a high-end, high-quality sneaker, Li started his company, where he remains chairman of the board.

Guo, 38, a pleasant, earnest man, is the company's chief operating officer, and he was dressed exactly the way you'd expect a sneaker executive to dress: a polo-style shirt with the Li-Ning logo, blue jeans, and a pair of Li-Ning sneakers. Then again, almost everything about Li-Ning feels like your basic modern sneaker company: the airy, wide-open campus; the casually dressed young executives bustling about; the rows of basketball and tennis courts under construction; the huge posters everywhere of Chinese Olympians - and others, like the NBA star Shaquille O'Neal and the tennis player Ivan Ljubicic - who have endorsed Li-Ning shoes and clothing.

Guo and the other Li-Ning executives have big plans for Li-Ning sneakers. Although they are now serving the domestic market almost exclusively, they want to begin exporting to Europe and the United States, and go toe to toe with Nike and Adidas abroad. The company generates only 1 percent of its \$700 million in revenue from abroad, Guo told me, but by 2013 it hopes to be generating over \$2 billion in revenue, 20 percent from exports.

To get there, Li-Ning will have to become a brand like Nike and Adidas. As Jeongwen Chiang, a marketing professor at the Cheung Kong Graduate School of Business, said, "When you get right down to it, Nike is a branding company." To compete, Li-Ning would have to become one as well.

There is no question that Guo - and everyone else at Li-Ning - is aware of this and is trying hard to figure out how to make the kind of splash that comes so naturally to Nike and Adidas. "Branding is a necessity for our company," Guo said. But the more he spoke about branding, the more I began to have my doubts that Li-Ning was ready for the big leagues. "In the

coming years, we are going to have to find a Jordan for Li-Ning," he told me through a translator. "Nike had Jordan. Where is our Jordan?"

I pointed to a pair of the Shaq sneakers that had been brought into the conference room for my inspection. The sneaker cost around \$120. How much of that price could be attributed to Shaq's endorsement? I asked him. Guo hemmed and hawed, but then finally coughed up his opinion. "My personal belief is that it doesn't make all that much difference," he said. "It is probably not more than 10 percent. What the consumer cares about is the design, material and profession performance."

I thought to myself: that's not what they believe at Nike.

Then he told me something else. Li-Ning shoes were purposely priced 20 percent below their Nike and Adidas equivalent. He didn't explain why, but he didn't have to. Li-Ning is simply not confident that its current brand can stand up to its big Western competitors. Truth to tell, neither is just about any other big consumer company in China.

"It is very difficult to be a Chinese brand," said Feng Jun, 39, founder of Aigo, a consumer electronics company that also has high hopes of conquering the West with its branded products. (Among other things, it makes the most popular Chinese digital music player.) "No one in China believes in a Chinese brand."

The best known mainland Chinese brand is probably Lenovo's ThinkPad laptop computer. But it was IBM that developed the brand before spinning it off, and even then, Lenovo decided to drop its price when it first became a stand-alone company. Until recently, it didn't even put the word "Lenovo" on the front of its computers. (It does so now.)

Why does this matter? Partly it's a matter of pride - Chinese executives want to be able to say that their companies are as well known as the big brands; Feng told me that in five years' time, he wanted his company to be as popular as Samsung.

But it is also a matter of necessity. As much as we fear China's manufacturing prowess, Chinese companies fear the marketing abilities of the West. As the state allows more Western brands to break into the Chinese market in a big way, they inevitably take market share away from local companies. And if these same companies want to export their own branded goods, which is where the real profits lie, they'll have to learn how to create distinct identities that appeal to consumers - in other words, brands. "Everyone in China has religion in branding," said Scott Kronick, president of the Chinese division of Oglivy Public Relations Worldwide.

But as the experience of Li-Ning illustrates, it's a real struggle. In the 1990s, the company had the China market to itself, but as soon as Nike and Adidas were allowed in more than a half dozen years ago, Li-Ning's market share withered; by 2004, it ranked third. It now has 18 percent of the market, while its bigger Western competitors have more than 20 percent each. Facing Nike and Adidas, said Guo, made the company realize it had to become better at branding and marketing.

So a few years ago, the company began bringing in branding experts to advise it, including Chiang, the marketing professor.

"When kids wear Nike shoes, they feel as though they are the cool kids on the block," he told me. "I said to the Li-Ning executives, 'What does it mean when you wear a Li-Ning shoe?' " He was trying to show them that the point of the exercise wasn't to copy from the Nike playbook, but to create a distinct identity. "They couldn't define it," he said.

His advice to the company was that it should forget about the export market and concentrate instead on the growing domestic market - especially the many cities with populations well above one million that Nike and Adidas hadn't yet penetrated.

He suggested that Li-Ning try to come up with shoes that have a distinctly Chinese flavor and would appeal, in an almost patriotic way, to Chinese consumers. Sure enough, when I visited Li-Ning I was shown an expensive green shoe that was named for Lei Feng, a Chinese hero from the 1960s.

What the company hasn't abandoned, though, is its dream of moving its products to the West. For that, Li-Ning is going to need a lot more than simply finding the next Michael Jordan. That's going to take marketing skills that its executives don't yet have, and that China itself is still trying to learn.

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