Feasibility Research on Substituting Imports for Domestic Sports Goods

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Abstract: China has unparalleled and advanced manufacturing capabilities which is known as “the world's factory”, the emerged development of the manufacturing has led to domestic substitution and got far-reaching implications for many industries such as internet sector, the hard tech space, notably semiconductors, industrials, AI, robotics, medical tech and cleantech, the traditional garment manufacturing industry is particularly impacted. A large number of sportswear OEM factories are all around the southeast coast like Jiangsu, Zhejiang, Fujian and Guangdong, they helped those sports brand get to be manufactured, also for the new start-up to be brand up. They cover all the supply chain from raw materials to commercialization with top quality in the world.

Keywords: Domestic Sports Goods; Import; Sports Brand

1. Comparison of the sporting goods development in China and the world

The growth rate of the sports footwear and apparel is around 15% across the globe, however, the growth rate in Chinese market is even higher than the development of the world. With the boldly assumption that if it will bring a dividend window by the unprecedented demand of sports goods in Chinese market, we analyze it from development path, raw materials, production technology, brand culture and other aspects.

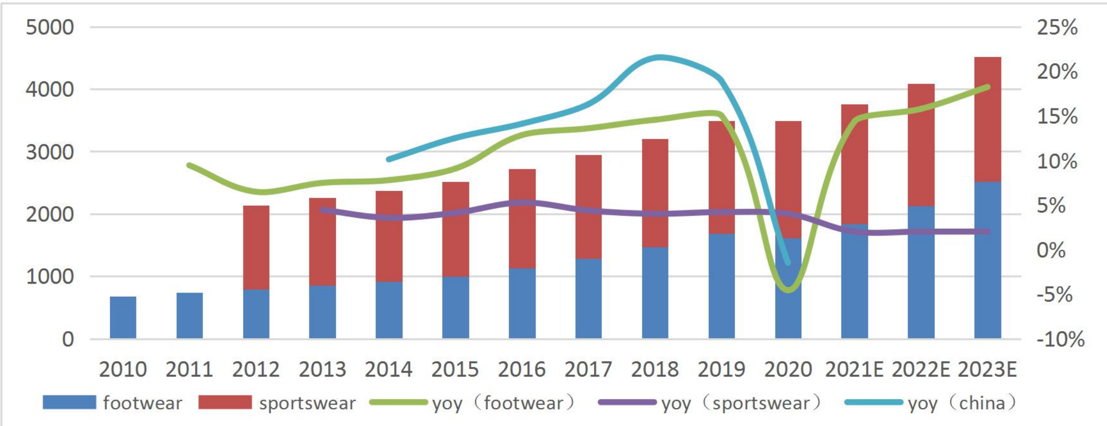


Figure1 Market size and growth of global and Chinese footwear and sportswear

Throughout the most advanced country in the development of sports industry - the United States, it is found that there have many similarities with China in the sporting goods market with the aspects on system reform, core driving factors, consumer groups. We can refer to the development path of the American sports market:

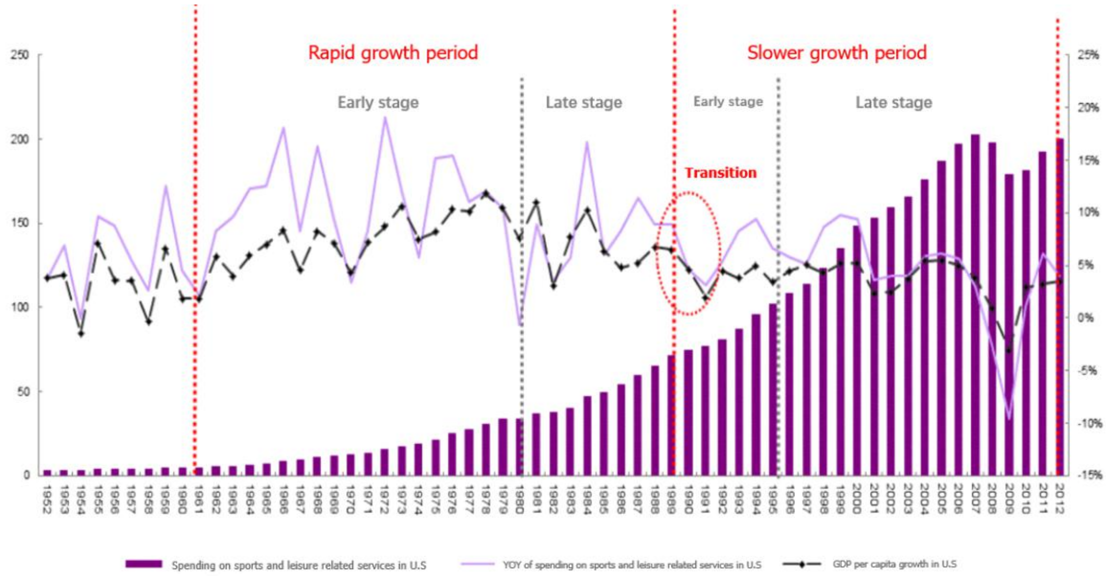


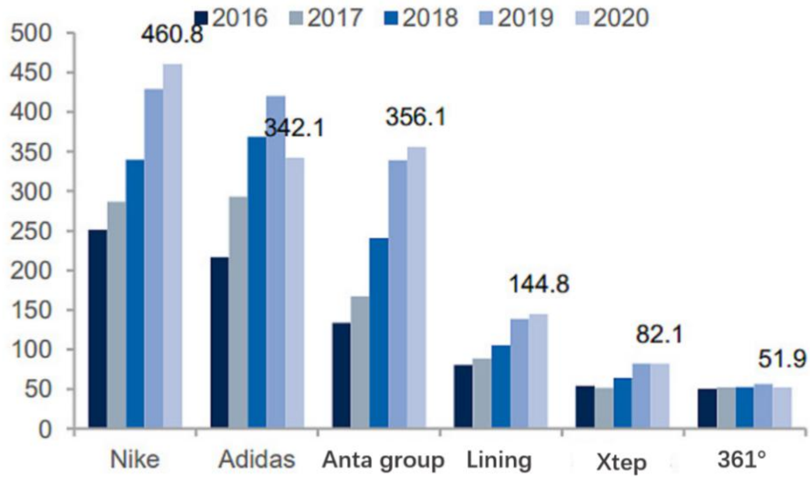
Figure 2 Souce form Sports Industry Topic (I): Research on the Evolution of International Sports Goods Industry Demand (Author: Li Jie, 2014)

Since the 1960s, sporting goods serving the mass market have sprung up rapidly with the nationwide sports such as running and fitness. The market demand is mainly used to meet the mass consumers participating in physical exercise for the first time, focusing on cost-effective and fashion design of products. From 1989 to 1992, the main consumer force of the industry changed from mass consumers to sports enthusiasts continued to slow down and entered the adjustment period. The growth center of the sporting goods market decreased from 10% to 5%, and the core consumer group changed; Since 1993, the demand of stock sports enthusiasts for pursuing the ultimate sports experience and upgrading equipment has dominated the sporting goods market. The product professionalism and brand culture pursued by experiential consumption have become the core competitiveness.

Similarly, as a Chinese enterprise, Shein has truly realized the flexible customization of fast fashion by relying on China's mature, extensive and cheap manufacturing and supply chain system. It is reported that Shein supplies 200 SKUs every day, and it only takes 20 days from domestic design and drawing board making to goods being transported overseas to consumers, which also shows that China's manufacturing industry has the ability to "return small orders quickly", Timely response is the core competitiveness required by the footwear and clothing market. The starting point for sheen to bypass the most familiar Chinese market and turn to overseas business is also based on its unique "comparative advantage" overseas, which can achieve the lowest price of the same type or the best quality at the same price.

The same is true for sporting goods. The domestic market of sporting goods is mainly occupied by overseas giants. In terms of market share, by 2020, international brands such as Nike (25.6%), Adidas (17.4%), SKECHERS (5.6%) have occupied the medium and high-end market, and Anta Sports Education (15.4%), Li Ning (6.7%), Tebu (4.7%) Domestic brands represented by 361 ° (2.6%) are deeply rooted in the mass market and continue to penetrate the middle-end market with flagship products. From 2015 to 2020, the concentration of sports clothing Cr5 has increased from 60.1% to 70.7%, whilethat in sports shoes has increased from 64.2% to 73.4%. The head effect is more obvious.

Figure 3 Revenue of major sports brands in Greater China



2. Raw materials

Major brands have begun to apply for patents for scientific and technological materials. Taking sports shoes as an example, raw materials usually include five aspects: vamp, insole, shockproof sheet, sole and sole. Among them, different raw materials determine their use performance. On this basis, major brands have developed their own "exclusive secret recipe", in which the innovation of sole materials is the most extensive at present. Overseas giant Nike owns zoom air, zoomx, react, lunar, etc., Adidas's flagship black technology boost material, as well as bounce, energyrods and lightstrike. Domestic brands also increase research and development investment, follow the pace of research and development, such as Li Ning launched Li Ning Feng, Li Ning 䨻, Li Ning Yun, Anta nitro-speed NUC, A-Flashfoam bottom technology, CARBON FIBER, special step of the power nest, shock absorption rotation, full hand CARBON FIBER board, 361° NFO, QU! Kfoam, etc. the functions realized include comfort, lightness, ventilation, shock absorption, torsion resistance, protection, bounce, boost and anti-skid, which are similar to international brands. From the perspective of R & D investment, Adidas already has relatively mature R & D technology after long-term R & D investment. Therefore, the R & D rate is only about 0.7%, which is only 1 / 4 of the four domestic head brands, and the actual investment cost is still higher than that of domestic brands.

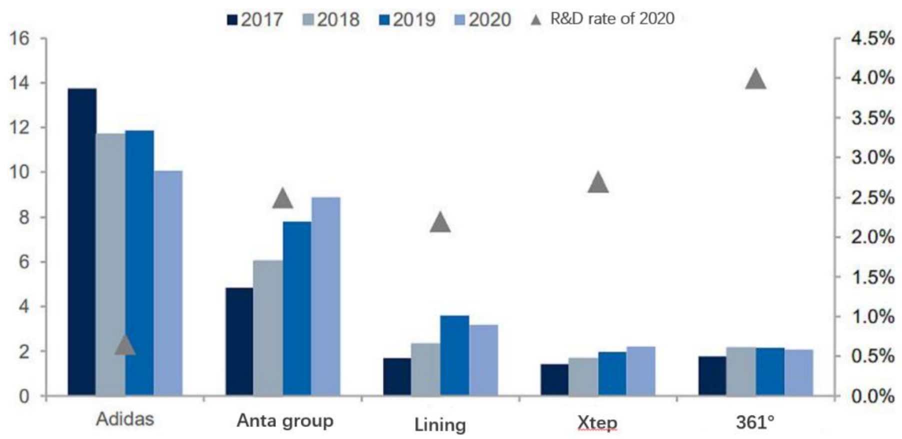


Figure 4 Major brand r&d expenses and proportion comparison

Vamp	Dermis,Artificial leather,Screen cloth
Insole	Adhesive,Paper packaging
Anti-vibration	Fabric,EVA
Outsole	EVA,PHYLON
Sole	Rubber,PU,PVC,TPE,Polymer composites

Table 1 Sports shoes components and materials

3. Production process

Production technology has always been China's advantage. Taking sports shoes as an example, major shoe and clothing brands have OEM cooperation with Chinese enterprises, and most of the goods in the global market are produced in China and sold all over the world. For example, the main customers of Ningbo garment OEM giant Shenzhou International include Nike, Adidas, Puma and UNIQLO, Zhongshan Huali group is one of the few professional sports shoe manufacturers with an output of more than 100 million pairs in the world, and it is also the second largest shoe factory in the world. Its downstream brands include Nike, converse, vans, puma, ugg, Columbia, under armour, Hoka one, etc.

Taking sports shoes as an example, the production process has many links, with more than 180 processes. From the perspective of production process, the upper is made by processing raw materials such as cloth and leather; Fabric, EVA and other shoe materials are polished into insoles through fitting and cutting processes; Rubber and chemical raw materials are used to make bottom platform, outsole, etc. After the vamp, insole, sole and outsole are ready, they are formed into finished shoes after bonding, drying, cold bonding or vulcanization. After passing the quality inspection, they are packaged and put into storage.

3.1 Classification according to the connection mode between sole and upper

Cold sticking process: put the material into the mold and press it out, stick it with rubber and form it at one time, that is, cold sticking shoes, which are characterized by light, soft, non slip, cheap material and low process cost.

Vulcanization process: the shoes made by vulcanizing the sole and upper are vulcanized shoes. The materials are limited, resistant to high temperature and temperature difference, and enter the vulcanization tank for molding. It is characterized by full rubber sole, anti-skid and wear-resistant.

3.2 Production proces steps

(1) Forming front section:

Is divided into uppers, insole and sole processing, uppers from cloth, leather and other raw materials processing, after cutting, printing, needle car and other processing procedures made; Insole is cloth, EVA and other shoe materials by fitting, cutting process grinding made; Sole is to use rubber, chemical raw material to make bottom stage, outsole to wait.

(2) Forming middle:

The vamp and sole are bonded and dried

(3) After molding:

The finished shoes are formed through cold bonding or vulcanization and other processes, and are packed and stored after passing quality inspection. Vulcanization process connects sole and vamp by adding sulfur, cold bonding process connects sole and vamp by adhesive, other production process is the same.

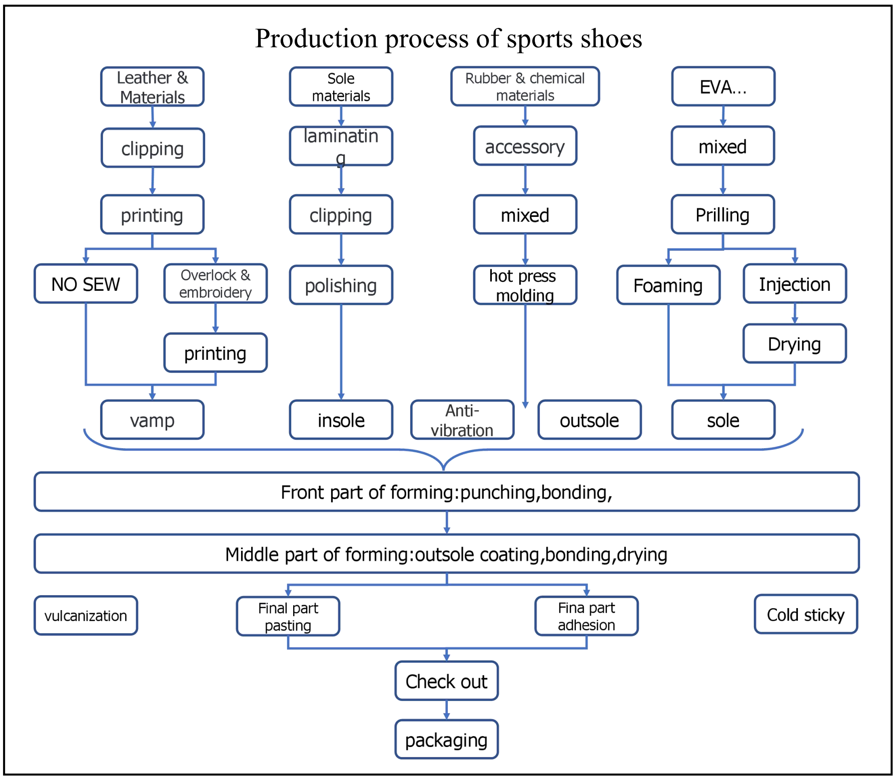


Figure 5 Production process of sports shoes

4. Branding Culture

Homebred brand compared with the international brand advantage lies in the supply chain reaction speed faster, lower manufacturing cost, but for the design of the product research and development investment is not enough, we often see foreign products on the domestic brand sports shoes suit, the shadow of the peer between copying or salute "classic" behavior can cater to brand SKU update aging request, And can greatly reduce the time and cost of research and development, but also to attract part of the consumer demand but insufficient spending power of customers. But this seems like a lot behavior is difficult to develop a brand of "faithful", consumers for brand lack of viscous, "the price advantage" alone is very difficult to capture user mind, most consumers will not continue to buy as soon as the price hikes, and long-term low price products will be for users to set up the consciousness of "low-end brand". After nearly 30 years of failure, Anta has chosen to supplement its high-end market vacancy through acquisition and acquisition. Without affecting anta's parent brands, anta has acquired international well-known brands including FILA, DESCENTE, KOLON, Salomon, ARC 'teryx, Wilson and SUUNTO.

5. Conclusion

In terms of production technology and raw materials, domestic brand sports shoes and clothing are almost the same as international top brands. However, from the perspective of market share and R&D investment, the growth of domestic brands will continue.

In terms of the core competitiveness of fast fashion brands, "Quick return for small orders", domestic brands are no less than or even better than international first-tier brands, but

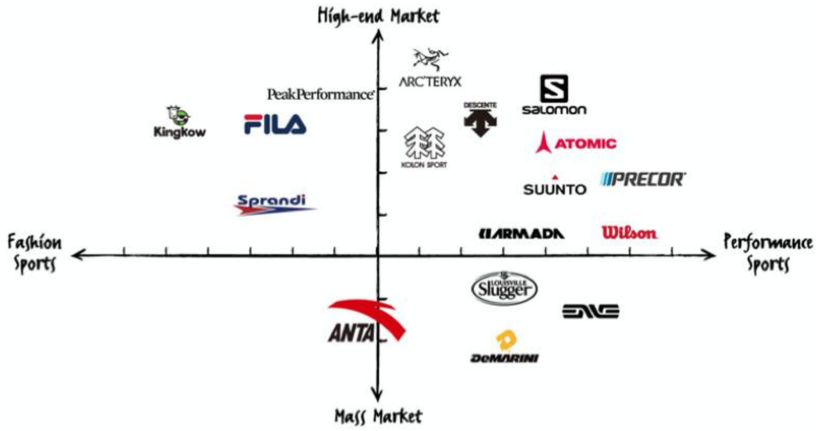


Figure 6 Anta Group brand matrix

There is still a big gap between domestic brands and international brands in terms of r&d innovation and brand culture construction.

The path of domestic substitution for import should gradually evolve from the original version 1.0 -- pure OEM model to version 2.0 -- OEM production and then develop to version 3.0, namely, the birth of sports brands containing Chinese traditional culture, and complete the transformation from "cheap labor output" -- "advanced manufacturing power output" -- "brand cultural power output".

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