

How Nationalism in China Has Dethroned Nike, Adidas

Data show sustained consumer pivot away from Western brands

By [Jinshan Hong](#), [Yasufumi Saito](#) and [Adrian Leung](#)
February 16, 2022



China's 1.4 billion shoppers were once seen as an untapped gold mine for Western brands, with their rising incomes and unleashed consumer appetites expected to drive growth for companies from Nike Inc. to Nestle SA for decades.

That calculation has changed quickly as China tussles on the world stage with the U.S. and others on everything from trade to cybersecurity and human rights. Chinese consumers are increasingly acting as an extension of the government's political agenda—a worrying sign for global brands that have staked their futures on the \$6 trillion market.

Take the humble sneaker. Four years of

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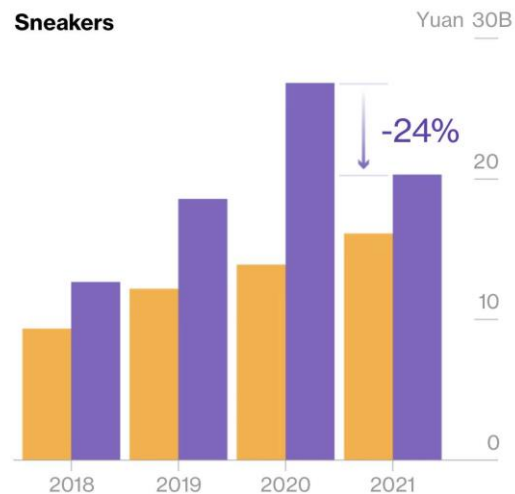
Take the humble sneaker. Four years of transactions on China's biggest business-to-consumer e-commerce platform, Alibaba Group Holding Ltd.'s Tmall, show the speed and depth of this nationalistic pivot. Consumers are turning away from Western brands despite the millions of dollars they've invested into courting local shoppers. Where politics goes, so does the Chinese consumer—in a more profound and sustained manner than previously understood.

Losing Steam

Foreign brands' sales are dipping in China, while local rivals grow steadily

FOREIGN DOMESTIC

Sneakers



Sportswear

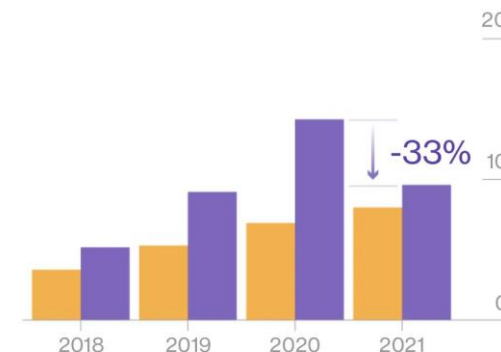
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Sportswear

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Note: Numbers shown are from Feb. 1 of the stated year to Jan. 31 of the next year, calculated based on sum of monthly top 100 brands on Tmall

Bloomberg News's analysis of data compiled by Hangzhou-based analytics firm Taosj.com reveals that the political incidents that periodically ensnare foreign companies in China—from Mercedes-Benz Group AG and Christian Dior SE to Dolce & Gabbana Srl—are having a more lasting impact than before. The social media storm triggered in March 2021 by a raft of foreign brands denouncing the use of cotton from Xinjiang, the province where China is accused of human rights violations against the Uyghur minority, is illuminating. It became a crucial inflection point in sneaker and sportswear sales, allowing domestic

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sneaker and sportswear sales, allowing domestic brands to dethrone Western giants for the first time.



Nike and Adidas, which said they would not use Xinjiang cotton, were sent on a downward trajectory in sales that has not yet bottomed out.

Months after the scandal, Chinese rivals like Anta Sports Products Ltd. and Li Ning Co.—which put out statements of support for Xinjiang cotton—continue to surpass them in sales. The local companies capitalized on the upswing in nationalism with products targeted at local consumers—from sweaters emblazoned with Chinese characters to sneakers inspired by the Forbidden City.

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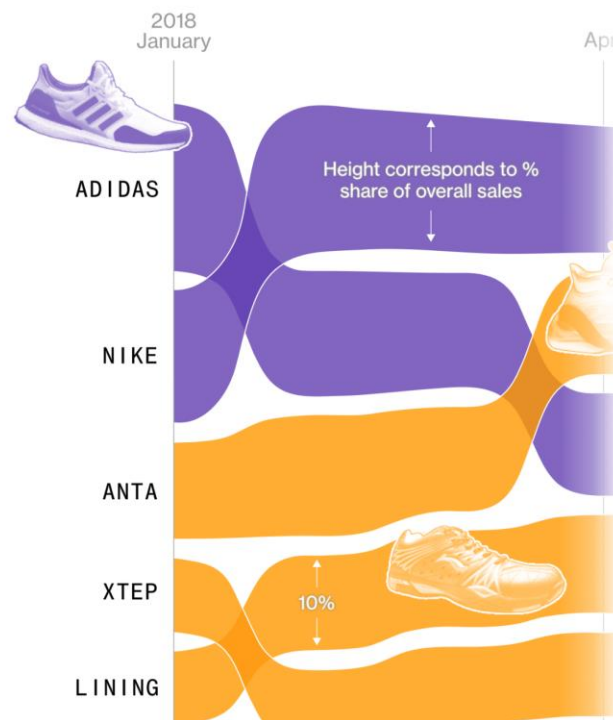
sweaters emblazoned with Chinese characters to sneakers inspired by the Forbidden City.

Waves of patriotism following deadly floods in Henan province in July and the Winter Olympics at the start of 2022 have regularly fed the trend.

Top Sneaker Brands on Tmall

Sales share (%)

FOREIGN DOMESTIC



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By the end of January 2022, Anta and Li Ning dominated 28% of sneaker sales, 12 percentage points higher than before the Xinjiang outcry.

Overall in the 12 months ending Jan. 31—a year when China's borders remained shut to keep out Covid-19, and it came under attack over the virus's origins—sales growth for top Chinese sneaker brands was about 17%, while foreign brands saw a decline of 24%.



It's not exclusive to sneakers. Similar patterns of nationalistic consumption are found in cosmetics and soft drinks to baby food and apparel. Local brands have already unseated global ones like Nestle as the top online sellers, reversing years of domination.

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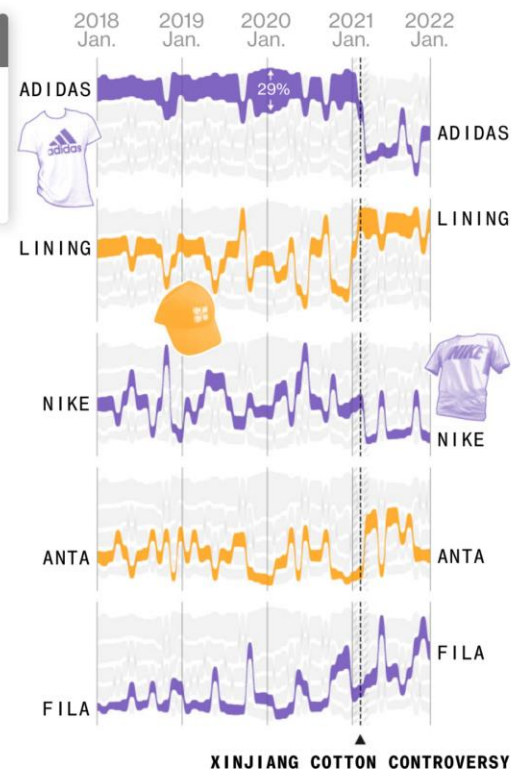
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top online sellers, reversing years of domination. Sectors like luxury and beauty care where Western giants still reign may not be far behind.

Top Sportswear Brands on Tmall

Sales share (%)

FOREIGN DOMESTIC



Note: Anta acquired the China business of Fila—originally an Italian brand—in 2009

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“Consumers have moved from reacting to negative events to a form of nationalism that is much more proactive,” said Jay Milliken, a senior partner at branding and marketing consulting firm Prophet, which compiled the annual China brand relevance ranking. “Instead of saying, ‘Oh, something negative happened. Therefore, my pride in my country has awoken.’ It’s now constantly present somewhere.”

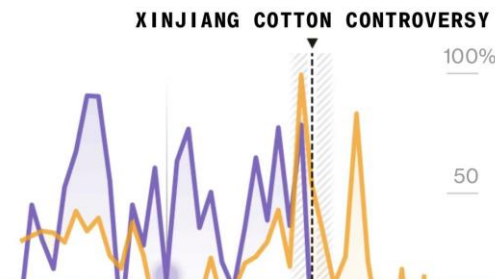
Watershed Moment—Xinjiang Controversy

Online shopping in China, where consumers are far more digitally connected across all ages than in the U.S., is a real-time indicator of brand sentiment. In a country where more than half of all purchases take place via e-commerce, online demand is a quicker and more revealing source of information about the Chinese consumer than physical store transactions.

Sneaker Shift

Year-on-year change in sales

FOREIGN DOMESTIC



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As local businesses start to break through in cosmetics and lingerie, luxury bags and dairy products, shoppers will have more options whenever the “Buy China” call is issued.

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Not All PEOs Are Created Equal

Open

In the past, Chinese buyers with means largely shunned local brands amid concerns over the quality and safety of their products. But the country’s pivot towards isolation under President Xi Jinping’s nationalistic ethos and the maturation of local brands, which often have more of a finger on the pulse when it comes to Chinese trends, has seen that opposition weaken.

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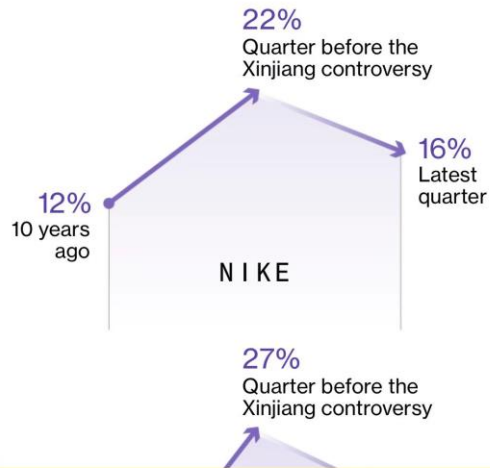
“Chinese consumers are becoming more confident in Chinese-made brands,” said Jonathan Cummings, Asia-Pacific president of global brand consulting and design agency Landor & Fitch. “In the past, the boycott may have been a blip, but now it starts to create a more lasting impact on people’s mentality because they know that they have an alternative.”

Vital Market

For foreign brands that have bet heavily on China, consumer nationalism poses a dilemma. While the market is too important to ignore, attempting to stay on Beijing’s good side also risks backlash from Western governments and shoppers.

The China Factor

Greater China’s contribution in revenue

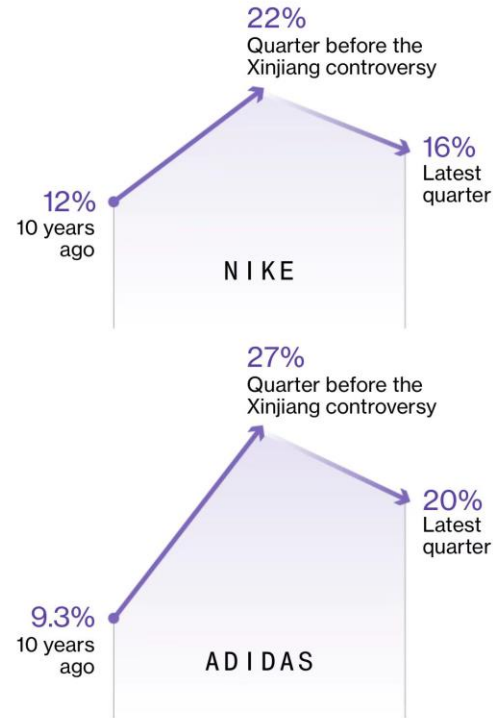


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The China Factor

Greater China’s contribution in revenue



Source: Company filings, Bloomberg

Before the Xinjiang controversy, Greater China contributed more than 20% of Nike and Adidas’s global revenue, after roughly doubling in the past decade. In the most recent quarter, that dropped to no more than a fifth.

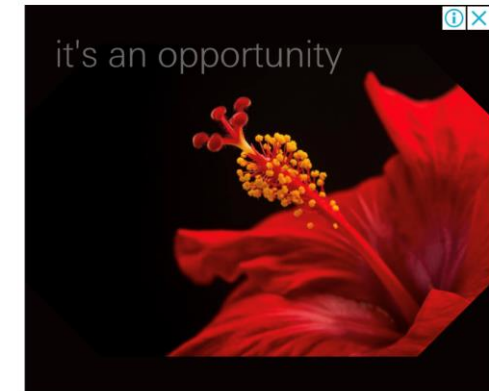
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Executives at Nike and Adidas have consistently said they’re doubling down on China, despite their fading fortunes. Company representatives for Adidas declined to comment further on the fresh data, while Nike did not respond.

“We’re getting a little bit better each quarter,” said Nike’s Chief Executive Officer John Donahoe in an earnings call with analysts in December. “We’re going to continue to invest to lead in China.”

Adidas saw a normalization at a “very slow rate,” and a “substantial difference” between local and non-local brands in China, CEO Kasper Rorsted told analysts in November, but assured them the geopolitical tension was easing.



Both are investing more into tailoring products to

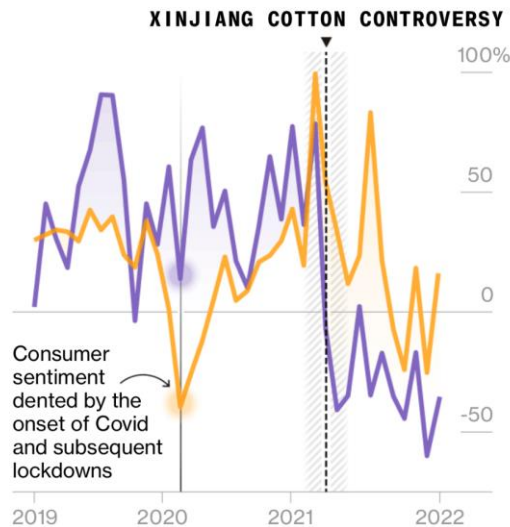
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Sneaker Shift

Year-on-year change in sales

FOREIGN DOMESTIC



Note: Calculated based on sum of monthly top 100 brands on Tmall

The sneaker and sportswear sectors are a bellwether as several well-established Chinese brands exist in the space, from Li Ning, a brand founded by the Olympic gymnast of the same name now targeting hip, young shoppers, to Xtep International Holdings Ltd., which outfits top Chinese marathoners. It's a factor still lacking in other consumer segments like beauty care and luxury goods.

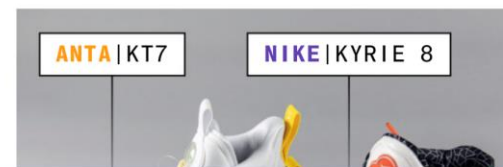
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Both are investing more into tailoring products to local tastes and using retail innovations common in China, like livestreaming shopping, to boost demand.

Still, they're on the backfoot amid the steady drumbeat of Chinese nationalism. Both brands struggle to get top local athletes to endorse them, say analysts, especially during the run-up to the Winter Olympics in Beijing. While Nike briefly regained the No. 1 spot in sneaker sales in November and December, it slipped off pole position in January as the mass sporting event raised the decibel of national pride once more.

"Before 2016, I wouldn't give much thought to Chinese brands," said Clyde Chen, 25, who works in the pet industry and spent nearly a decade in the U.K. studying. "But now my understanding towards national brands has changed. The political events from the Hong Kong protests to foreign brand missteps made me feel I should support our national products. Meanwhile, social media has made it easier to find local products that are of good quality and design."



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Anta's KT7 and Nike's Kyrie 8 basketball shoes. Photographer: Qilai Shen/Bloomberg

Wider Implications

The shift to local is even being seen in sectors where Chinese shoppers have long favored foreign offerings. Domestic brands of infant formula were widely avoided after a deadly 2008 scandal involving tainted milk, but now local companies like China Feihe Ltd. have gained the advantage over Western manufacturers.

In soft drinks, Nestle is now the only foreign name in the top 10, at No. 4. Local startups like drinks company Adopt A Cow and cosmetics brand Colorkey have out-performed global stalwarts like L'Oreal SA's Yves Saint Laurent Beauty and Estee

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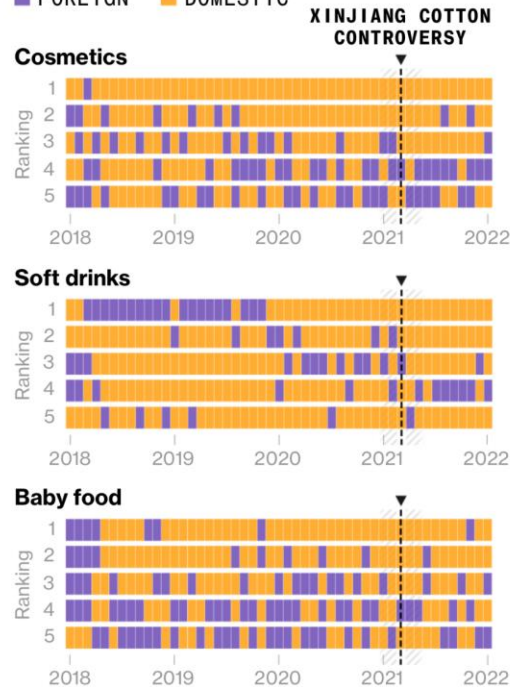
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Across the Board

The top five brands each month by nationality on Tmall

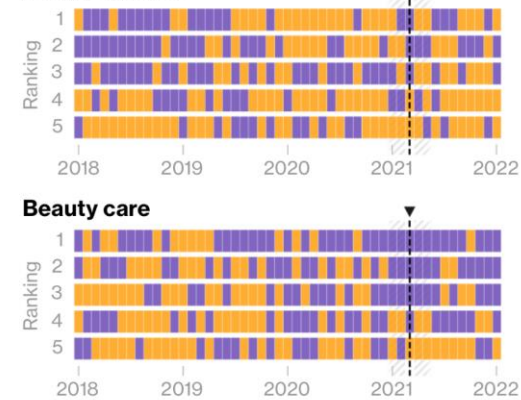
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Female apparel



Note: Beauty care is an exception where international brands still dominate

While nationalism can serve as a springboard, the longevity of Chinese brands will ultimately depend on their ability to maintain quality, craft a brand identity and set trends—key components of consumer loyalty that global giants have perfected over decades.

“Chinese companies are fast in rising from 0 to 1 to 10. But they often lack the stamina from 10 to 100,” said Jason Yu, managing director of research firm Kantar Worldpanel Greater China in Shanghai, which tracks spending behaviors of 40,000 families in the country over the past decade. “What these Chinese brands need to study now is how to maintain the high growth.”

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