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**HOW DOES CHINA'S SPORTS INDUSTRY DRIVE  
ITS RELEVANT INDUSTRIES AND FURTHER PULL  
THE WHOLE NATIONAL ECONOMY**

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**ABSTRACT**

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| <p>Sports industry has played a more and more important role in China's economic development, and the role will be more influential in the future. This thesis researches the real impact brought by the sports industry development on China's economy, including its contribution in value, employment and pulling of other industries. Two industrial theories will be used, which are the industrial relevance theory and industrial structure theory. Data collected from authoritative resources will be used help analysis. Some suggestions on Chinese sports industry development will be demonstrated as well.</p> |                              |                            |

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| <b>Key words</b><br><br>Sports industry, China's economic development, industrial relevance theory |
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## 1. INTRODUCTION

Chinese government has more and more highlighted the status of sports industry development in the macroscopic economic development plan for China; the current president Xi Jinping always cares of the development of Chinese sports and shows attic faith that sports industry can enhance citizens' body and enrich the country. He has once commented in a speech given in Hong Kong that *"the strong sports lies in the launching of widely accepted sports activities for the mass. (The sports) should involve with people, to let people enjoy the benefits of sports and enable them to reach their pursuit for happiness in playing the sports"* (Li, 2012). The Communist Party of China has composed an article to expound the principles of Xi Jinping's sports development planning, that the Chinese government highly cares of the sports industry development in China, viewing it as an important constituent for the realization of China's great rejuvenation. To be human-oriented, the sports industry should be strongly advocated in normal citizens, especially for the young; people's patriotism and national spirits should be strongly developed by the sports competition in international stage; the sports industry should also be treated as an tool to promote diplomacy. China should build a sound sports industry with special socialism characteristic, the aim of serving people and an integrate sports industry (Li, 2012)

Apart from being viewed as an important symbol of national development, another reason for Chinese government's emphasis on sports industry comes from its economic effect. The State Council in China has published a comment recently in which the economic effect of Chinese sports industry is referred, the Chinese government predicts that the sports industry can reach 5 trillion RMB in 2025, which is about 790 billions dollars. Without doubt, about one decade later the sports industry will become one of the major economic industries in China. Even if we view this industry at present, it can be found that its scale is very large comparing with other countries in the world and its growth speed is amazing. The author feels curious that

how will the sports industry bring so big impact on China's economy? This will form the major direction for this research. As a Chinese student, the author of this essay is also concerned of that what sorts of efforts can be made to improve the development of this industry? These questions above have constituted the research aims of the thesis, which are also the major research content.

In this research, some comparative objects are needed. The USA and European countries were selected to analyze their sports industry development as a sub-analysis. Some enlightenment for China have been acquired from the comparison. China is only a big sports country (big population of sporting people), not a strong sports country (high sports quality in average), so it is necessary for China to learn from other strong sports countries, that is the reason why the author has made the comparison. Some theories related to this topic will be used to form a basis for theoretical analysis, including the industrial relevance theory and industrial structure theory. As my teacher has commented, the sports industry is a broad topic, much broader than the basketball industry; besides, it is a common topic that has been researched by others before; thus the the originality is highlighted here, to present the research results of this old topic.

## **2.REVIEW OF PREVIOUS STUDIES**

Sports industry has played an important role in a country's economic structure, and the relation between sports industry development and economic development of a country is quite obvious. Due to this reason, many scholars and experts have done studies of it based on the situation of their own country.

For definition, Korean sports economist Piao Yingyu points out that “sports industry means the manufacture and consumption of products and service related to sports activities” (Yonogping, 1998). Pitts classifies the sports industry into sports performance industry, sports products and sports sales. (Yongping, 1998) The sports performance include the performers, audiences and organizers; the products include products design and manufacture; the sales include the tools and companies for selling sports products.

Sally thinks that most events of modern sports can be operated as an industry, and the reason for that is that modern sports have been developed for more than a hundred years since the “outdoors activities” originate from the United Kingdom, and gets highly mature so far (Yongping, 1998). He also complements, that to operate the sports industry well, not only the content of sports is needed, but also the efforts on business should be made. (Yongping, 1998)

Howard. D. R has made great contributions to the operation of sports industry. His study has covered the principle, structure and background of sports industry operation. He proposes that the leisure sports will become the protagonist of the sports business, and has offered some suggestions on leisure sports operation (Yongping, 1998). His research has raised the tide of sports all over the world.

Glyptic has explored of sports travel. The sports travel can be seen as a branch of sports industry or the travel industry. He researches on the market building and the exploitation of sports travel resource as well as the future performance of the sports travel and the management of the sports travel (Yongping, 1998).

From the studies above it can be seen that the sports industry has already become a mature industry, so researchers transfer their focus from the content of sports, to the operation of it. It is admitted by them that sports industry is a big economic industry, so their researches take the economic effect as core content, such as the excavation of expanding its scale and approaches to make its economic performance stronger.

For China's sports industry development, the local Chinese scholars also do a lot of researches, hoping to rehabilitate their national prosperity by the sports industry. Du Fusheng analyzes the function played by sports industry in economy. He says "*As a filed in national economic activities, the sports industry is a sunrise industry with extremely high investing values and potential; it is also the most vigorous growth point in economic development*" (Yongping, 1998, 33), which implies the great function played by the sports industry in economy. Su Meimei has found out that the added value of sports industry majorly comes from the sports service industry; the values produced by sales and manufacture of sports products are basically the same (Yongping, 1998). She also points out that the sports industry has a strong relevance to travel industry, retail industry and construction industry (Yongping, 1998) . The relevance between sports industry and other industries is one of the major content of this thesis.

Lin Ling has used the industrial structure theory to make a study on Chinese sports industry (Yongping, 1998). This theory is also applied in my thesis. She makes a comparison of Chinese and foreign sports industries, and explores the inner structural variation of Chinese sports industry. Her study gives the author of this thesis plenty of enlightenment.

In summary, these researches are significant for my study, especially their usage of certain industrial theories to analyze the economic impact. The study is made on the basis of them.

### **3.TWO THEORIES INVOLVED**

Two theories will be used to help me analyze the relation between sports industry and economic development. These are the industrial relevance theory and industrial structure theory. Some statistical calculation is involved.

#### **3.1 Industrial relevance theory**

The industrial relevance means with the intermediate products (the products manufactured and received by different industries) as links, the technological and economical relation between different industries. A basic fact of productive activity is that the total production of a country is the sum of the production of all industries, and there exists certain technological and economical relation among these industries, which means they are related to each other (Yongping, 1998). This forms the basis for industrial relevance theory. For every industry, it needs the devotion offered by other industries as their own productive elements, and it will produce certain products and offer them to other industries as well. With this complicated mutual input and output relation, different industries rely on each other and exist in the economic activities. Thus, the essence of the relation between different industries is the mutual offering and consuming relation. (Yongping, 1998)

The productive activities within an economic system are constituted by the organic productive activities of every industry, and it is sure that every industry generate certain relation with other industries (Yongping, 1998). These relations may be technological, or related to service and products, and to research on these relations is the major content of industrial relevance theory. For example, the products and service relation among different industries, the employment relation, the technological relation, the price relation and the investment relation will be explored all in this thesis (Yongping, 1998).

In the thesis, the industrial relevance theory will be used to analyze the relation between sports industry and other industries, such as the raw material industry, mining industry, chemical industry, architectural industry, etc. The revelation of relation between them can confirm the fact that the economic impact of sports industry on the national economy of China is great.

### **3.2 Industrial structure theory**

The industrial structure theory thinks, the formation of industry is the result of social labor division (Teece, 1998). It also believes that every industry has a complicated direct or indirect economic relation with others, and all of them form an organic system (Teece, 1998). The existence of one industry will serve as the birth and development conditions for other industries, and the structural variation of one industry will cause the change of other industries.

The ideological origin of the industrial structural theory can date back to the 17<sup>th</sup> century (Needham, 1978). William Petty primarily realized that the radical reason causing the income difference for citizens is the structural difference of industry. He points out that in the 17<sup>th</sup> century British society, the industry creates more income than agriculture, and commerce creates more income than industry (Needham, 1978).

Then scholar Colin Clark becomes an important contributor of this theory (Needham, 1978). He cares for the labor transfer in the primary, secondary and tertiary industries; after collecting data from developed countries, he proposes his principle about industrial structure: that with national economic development, the labor will be transferred from the primary industry to the secondary one, and then to the tertiary one; for the allotment of labor in these three industries, the proportion of labor in the primary industry decreases, and that in the secondary and the tertiary industry increases (Teece, 1998).

Another scholar Simon Kuznets also researches on industrial structure, and he finds: with national economic development, the realization of primary industry will decline as the labor proportion in primary industry does; then for the secondary industry, the ratio of created income will increase, so does the ratio of labor, but the speed of the former is faster; the ratio of created income and labor will increase in tertiary industry as well at the advanced period (Teece, 1998). So from the results angle, it is the wealth and labor from primary industry that has been transferred to secondary and tertiary one. In the early stage, the secondary industry is the major wealthy creator and the tertiary industry will become the major economic development entity in advanced stage (Teece, 1998).

### **3.3 The applicability of the two theories on sports industry**

In this paper, the two theories will be used for the author thinks the sports industry is a qualified example for the application of them. For the industrial relevance theory, it is easy to find its relevance to other industries, as the sports products must be related to manufacture industry, and broadcasting of sports events must be related to media industry and location of sports playing must be related to real estates. Thus, without a doubt the industrial relevance theory is applicable for sports industry; on the other hand, the sports industry is the product of wealthy society, and it will be born only after the social wealth structure has been reformed, so the industrial structure theory will be applicable as well.

## **4.THE IMPACT OF SPORTS INDUSTRY ON ECONOMY IN FOREIGN COUNTRIES**

### **4.1 The respective situation:**

The USA:

The USA is a strong country in the world for sports industry development. The primary, secondary and tertiary industries in the USA are subdivided into 21 industries, which contribute more than 75% of GDP in 2013 (Xu, 2015). The wealth created by sports industry has occupied the NO. 3 position in national economy, slightly behind the commercial bank and securities business. It is estimated that the average profit rate of sports industry has reached 15% (Xu, 2015).

The sports industry in the USA is constituted by body-building industry, professional sports events industry, sports products industry and sports managing industry. The body-building is an important part in the sports industry in the USA, which has covered boxing, gymnastics, tennis, swimming, etc. The professional sports events in the USA is a complicated system that involves audiences, clubs, media and government. It has great impact on its sports industry. The sports products industry is also important, for many international sportswear brands are born in The USA, making great contribution to the economy of the USA, such as the Nike. The sports managing industry also plays important role for the fast development of the whole sports industry.

Apart from them, the sports industry in the USA has covered the sports sponsor, sports construction, sports publication, souvenir sales, sports lottery, etc. The sports industry in the USA is supposed to be the biggest and most successful commercial industry in the world (Cathy, 2007).

European countries:

The United Kingdom becomes the global economic center after the primary industrial revolution. As a traditional capital country, the United Kingdom is also one of the origin countries of sports industry, equipped with sound sports system and sports market. In the recent years, the output value of the British sports industry grows in obviously, and gets close to that of car industry and tobacco industry. The sports industry also plays an important role in suppressing unemployment tide; a representative case of that is the holding of 2012 London Olympic Games offers abundant jobs to the society (Xu, 2015). It suggests that after the year of 2012, the sports industry will grow even more strongly in the United Kingdom, serving as a fresh economic point and pulling the British economy.

For Italy, the football industry is the core element of sports industry. The coverage of football industry is extensive, including television broadcasting, clubs products sales, ticket sales, advertisements, etc. A rough estimation of that is the football industry can be one of the top 10<sup>th</sup> economic industries in this country. At present, Italian has 20 thousand football ticket sales department and 25 thousand automatic machines. The value of football ticket sales has already reached 20 billion dollars in Italy (Xu, 2015).

France has built 170 thousand sports clubs that have 150 millions of registered members. The sports population has occupied 76% of total population (Xu, 2015). The body-building recreation industry is the supportive industry of French economy. Due to the reason that more than two tertiaries of French people are sports population, they produce high consumption on sports, including products and recreational service.

## **4.2 The enlightenment for China**

The thriving development of sports industry has proved a fact that the strong vigor possessed by the sports industry can push the economic development vehemently.

Although the development of sports is a cost of finance, after its scale has crossed a certain threshold, it will contrarily offer economic contribution to a country. So to emphasize on this industry is definitely significant from an economic angle. On the other hand, the sports industry and economic development shows high relevance, that the majority of developed countries in the world make pertinent value output with sports industry.

On the other hand, the sports industry development seems to be influenced by culture and conventions. For example, it is a custom for Italian people to play football as a leisure activity, so the football industry becomes supportive in Italian sports industry. France has a long history of leisure recreational activities, so the sports industry in this country is oriented by body-building recreation. German is a country where local people are proud of their manufacture level, so the sports products manufacture in German is highly developed, represented by the Adidas brand. The USA is a country which has a long history of baseball, basketball, rugby and ice hockey, so these professional events are highly developed and reach an international level.

For China, the insiders should be enlightened about the great potentials contained by sports industry, so they should put enough emphasis on the sports industry development. Besides, to pay attention to the combination of culture and sports adopted by developed countries will facilitate some refinement for the present Chinese sports industry development.

## 5.ANALYSIS OF ECONOMIC IMPACT OF SPORTS INDUSTRY

For the impact of sports industry on a country's economy, different indexes are suitable to be adopted. In this section, I will primarily use the proportion of sports industry output value in Chinese national economy to form a general introduction of its impact. Then I will use the industrial relevance theory and industrial structure theory to carry out more concrete analysis.

### 5.1 Analyses from the output value proportion and employment angles

The proportion of sports industry output value in Chinese national economy

As the Chinese economy enjoys fast development, the living quality of citizens increases, which promote the sports consumption become among normal citizens. Comparing with western developed countries, Chinese sports industry develops late, but the speed is high and some unique Chinese characteristics are shown in this process.

Table 1-1 The proportion of sports industry output value in national economy

|  | 2008  | 2009  | 2010  | 2011  | 2012  |
|--|-------|-------|-------|-------|-------|
| The sports industry output value (billion RMB) | 155.5 | 210.0 | 222.0 | 222.0 | 313.6 |
| The GDP (billion RMB)                          | 314.0 | 341.0 | 401.5 | 473.1 | 519.3 |

|            |       |       |       |       |      |
|------------|-------|-------|-------|-------|------|
| proportion | 0.52% | 0.61% | 0.55% | 0.46% | 0.6% |
|------------|-------|-------|-------|-------|------|

(Anonymous, 2012)

In table 1-1, it can be seen that the sports industry was developed fast in recent years; in 2008, the output value has reached 155.5 billion, and occupied 0.52% of the total GDP (Anonymous, 2012); by the end of 2012, the output value of sports industry has reached 313.6 billion RMB, and proportion has reached 0.6% (Anonymous, 2012). A tendency of annul increase in both quantity and proportion can be seen in this chart.

This chart implies two layers of information at least: firstly, the GDP in China was increased yearly in the recent years, which show that most citizens in China are able to receive higher income in average. secondarily, the output value of sports industry was increased year by year as well, and the proportion of GDP gets higher. That means not only more and more citizen have made consumption on sports industry, more and more enterprises have devoted much on this industry as well. The growth tendency shows the potential of sports industry in the future.

The comparison among output value of sports industry and other industries

The output values of an industry reflect its scale. By comparison of output values of different industries, their respective contributions to the national economy can be shown in an straight way, especially the concrete status of each of them in national economy and the function of each of them on economy.

Table 1-2 The primary, secondary and tertiary industries output values from 2008 to 2012 (billion RMB)

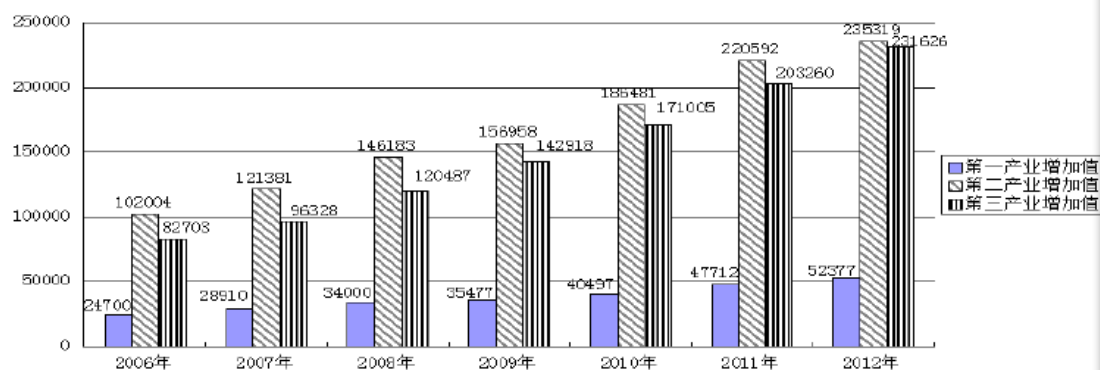


图 4-3 2006-2012 年三次产业增加值<sup>①</sup> (单位: 亿元)

(Anonymous, 2012)

The primary, secondary and tertiary industries are terms referred in industries analysis often; the classification for the three industries are made by United Nations: the primary industry means the industries offering manufacture materials, such as planting industry, forestry, livestock husbandry; the secondary industry means the processing industries that use basic manufacture materials to make processing and sales them, such as manufacturing, constructing and public engineer; the tertiary industry is called service industry as well, which cover all the industries beyond the primary and the secondary one, such as the transportation, telecommunication, commercial industry, insurance industry, etc.

In table 1-2 it can be seen that the proportion of output value of different industries has varied. Concretely, the primary industry shows a low increment, while the secondary and tertiary industry shows an obvious higher increment; especially the tertiary industry, whose value increment is the highest. With the classification of Chinese statistics bureau, the sports industry belongs to the tertiary industry; so this chart has implied the important economic status of sports industry in Chinese national economy. The chart also implies that since China has passed the initial rough development state, both the secondary and tertiary industries will have strong performance in the future. Therefore, to emphasis the secondary and tertiary industries represented by sports industry will be a major task for Chinese governments.

The comparison among employee numbers of sports industry and other industries

The concept of employees majorly cover the range of all people who work and get salary in one industry. The statistical calculation of employee numbers of different industries can reflect the utilizing rate of labor resource and contribution to social employ of an industry at a certain period of time

Table 1-3 The employees number of the primary, secondary and tertiary industries from 2008-2011 (million)

|   | 2008  | 2009  | 2010  | 2011  |
|---|-------|-------|-------|-------|
| Employees<br>number of<br>primary industry      | 299.2 | 288.9 | 279.3 | 265.9 |
| Employees<br>number of<br>secondary<br>industry | 205.5 | 210.8 | 218.4 | 225.4 |
| Employees<br>number of tertiary<br>industry     | 250.8 | 258.6 | 263.3 | 272.8 |

(Anonymous, 2012)

In table 1-3 it can be seen, that the employees structure of the three industries have changed gradually. In 2008, the number of employees of the primary industry was close to 300 million (Anonymous, 2012), but later, the employees have been transferred to secondary and tertiary industry as the industrial structure adjustment occurred in China.

## 5.2 Implication from the data

The data in the above three tables have revealed some important information about the economic impacts of sports industry, the information of which are summarized into four major aspects:

Firstly, the sports industry promotes the flying economic development in China. As an emergent industry, the sports industry has already occupied an important status in national economy. Whether one takes a single view of the data of output value, or of the proportion in GDP, the economic status of sports industry is hard to be ignored. Although the radix of the sports industry output value is quite small at present, especially comparing to developed countries, its development speed is amazing. The developing speed of sports industry has already badly surpassed the average tempo of other industries, being tagged with label of “most potential economic mainstay”. On the other hand, for some economically advanced province or directly governed cities, such as Beijing, Guangdong, Zhejiang, the proportion of sports industry output value on GDP has reached 1.7%, 0.92%, 0.18% respectively (Anonymous, 2012), which is close to the level of western developed countries in the 1990s (Anonymous, 2012).

Secondly, the sports industry has effectively raised the development of relevant industries. The sports industry shows a strong relevance with other important national economic industries, and this relevance endows the growth of sports industry with the ability to pull the development of other industries. According to the collected data, the sports industry helps raise an extra 60 billion RMB in GDP in Guangdong, Beijing, Sichuan and Liaoning province (Anonymous, 2012). We can see that sports industry has a strong pushing and radiating function on the economic development and social development.

Thirdly, the sports industry becomes a saver of high unemployment. To increase the employment opportunities and limit the unemployment rate is an important goal of

macroscopic economic development; it is also tightly related to the construction of harmonious society and the realization of a well-off society. In recent years, the important role of sports industry in absorbing labor has been more salient. In 2007, the number of employees in sports industry has reached 5 million, which is four times of the index in 1978 (Dai, 2009).

Fourthly, the sports industry can activate consumption and expand domestic demand. The consumption is like a carriage for a country's economic development, the scale of consumption is like the power of this carriage. This is the reason why the Chinese governments always seek for new consumptive points after the financial crisis has passed. From a pure economic angle, the economic growth is an issue related to consumption and demand. As calculated by national department, in the past 20 years, the consumption of citizens has contributed to the 60% of the economic growth (Dai, 2009) The sports industry can effectively activate consumption and expand demand, which facilitates the economic growth.

### **5.3 To Apply the Two Theories to Interpret the Economic Impact of Sports Industry**

In the last section, the data related to output value of sports industry, its proportion of GDP and its absorption of labor numbers to show its economic impact are used. In this section, I will apply the industrial relevance theory and industrial structure theory to further explain the economic impact of sports industry.

#### **Analysis with industrial relevance theory**

The analysis with industrial relevance theory needs to use several indexes to make statistical analysis, which are the direct consumption coefficient, the total consumption coefficient, the intermediate devotion rate of industry and intermediate consumption of industry (Yongping, 1998). To extract the data of them to make analysis can help analyze the status of one industry in a country's economy system,

and reflects its degree of economic impact.

The direct consumption means the the direct consumption of an industry in its operation for producing certain products or service

Table 2-1 shows the direct consumption of sports industry on other industries, the consumption of which is focused in food and beverage industry, textile clothes industry, other service industries and construction industry. The direction consumption on other industries are less, which means the relevance of direct consumption is weaker. The relevance is majorly reflected by the numeral number of respective coefficient.

Table 2-1 The coefficient of direct consumption of sports industry on other industries in 2010

| Industries  | Direct consumption coefficient |
|---|--------------------------------|
| Farming, forestry, animal husbandary and fishery  | 0.0064                         |
| Food and beverage                                 | 0.0397                         |
| Textile, clothes and leather products manufacture | 0.0201                         |
| Electricity, heat and water provision             | 0.0312                         |
| Chemical  | 0.0218                         |
| Metal products manufacture                        | 0.0067                         |
| Non-metal products manufacture                    | 0.0184                         |
| Construction                                      | 0.0571                         |
| Real Estate                                       | 0.0011                         |
| Other service industries                          | 0.0357                         |

(Anonymous, 2011)

The data in table 2-1 implies that sports industry have a more direct consumption on

food and beverage industry, textile clothes industry, other service industries and construction industry, so the sports industry take them as major productive sources, and the growth of sports industry will activate the direct thriving of these relevant industries.

The total consumption coefficient means the target industry offer each unit of product or service, the sum of the direct consumption and indirect consumption of relevant industries.

Table 2-2 The coefficient of the total consumption of sport industry on other industries in 2012

| Industries  | Total consumption coefficient |
|---|-------------------------------|
| Farming, forestry, animal husbandary and fishery  | 0.06384                       |
| Food and beverage                                 | 0.06671                       |
| Textile, clothes and leather products manufacture | 0.02876                       |
| Electricity, heat and water provision             | 0.05943                       |
| Chemical  | 0.10374                       |
| Metal products manufacture                        | 0.02943                       |
| Non-metal products manufacture                    | 0.00111                       |
| Construction                                      | 0.06132                       |
| Real Estate                                       | 0.00484                       |
| Other service industries                          | 0                             |

(Anonymous, 2011)

In table 2-2, it can be noticed that the total consumption of sports industry are concentrated on secondary industries (electricity, chemical, construction, metal

products manufacture). This reflects that the development of sports industry highly relies on secondary industry and the growth of it can effectively raise the development of the secondary industry.

The intermediate requirement rate is the result of intermediate requirement divided by total consumption. The data of it can reflect the rate of products of an industry used for productive materials and that used for consumptive material.

If the intermediate requirement rate of an industry is high, usually higher than 50%, this industry offers more productive material than consumptive materials. Thus this industry will be categorized as productive industry.

Table 2-3 The intermediate consumption rate of industries in 2010

| Industries  | Intermediate consumption rate (%) |
|---|-----------------------------------|
| Farming, forestry, animal husbandary and fishery  | 52.33                             |
| Food and beverage                                 | 36.13                             |
| Textile, clothes and leather products manufacture | 22.07                             |
| Electricity, heat and water provision             | 92.64                             |
| Chemical  | 94.58                             |
| Metal products manufacture                        | 78.64                             |
| Non-metal products manufacture                    | 97.61                             |
| Construction                                      | 5.92                              |
| Real Estate                                       | 29.24                             |
| Sports industry                                   | 0                                 |

(Anonymous, 2011)

In table 2-3, it can be seen that the intermediate consumption rates of electricity,

chemical, non-metal products industries are high, while other services including the sports industry are low.

The intermediate devotion rate means the rate of intermediate devotion and total devotion of an industry in one year.

The intermediate devotion rate reflects the rate of raw materials acquired from other industries on the total raw materials in the operation process. The added value of an industry can be reflected by this rate; if the intermediate devotion rate is higher, the added value rate is lower.

Table 2-4 The intermediate devotion rate of industries in 2010

| Industries  | Intermediate devotion rate (%) |
|---|--------------------------------|
| Farming, forestry, animal husbandary and fishery  | 41.53                          |
| Food and beverage                                 | 78.92                          |
| Textile, clothes and leather products manufacture | 80.00                          |
| Electricity, heat and water provision             | 74.43                          |
| Chemical  | 80.63                          |
| Metal products manufacture                        | 81.99                          |
| Non-metal products manufacture                    | 78.01                          |
| Construction                                      | 73.95                          |
| Real Estate                                       | 41.10                          |
| Sports industry                                   | 42.09                          |

(Anonymous, 2011)

Table 2-4 shows that the intermediate devotion rates of food and beverage, textile, electricity, chemical, metal and non-metal products manufacture are high; while the

rate of sports industry and real estate industry are low. This shows the sports industry major offer life service to people and its added value rate is high.

To sum up, the four indexes of the industrial relevance theory have revealed the essence of sports industry in economic activities to some degrees. The high direct and total consumption coefficient on manufacture, catering and construction industries has shown that sports industry has a close relation with the secondary industry. The growth of sports industry will pull the growth of most secondary industries as well, which forms a great contribution to national economy. On the other hand, the low intermediate consumption and devotion rate has reflected the sports industry is able to create high added value, which is another important contributor to a country's economy.

#### Analysis with industrial structure theory

Apart from citing data to support the viewpoint that sports industry makes a great contribution to the national economy of China, we can also use another theory, the industrial structure theory to interpret its economic impact.

According to the industrial structure theory, the sports industry is the corollary of industrial structure evolution. The sports industry will only be born at a certain period of human's society; instead, it emerges and develops as the industrial structure evolves. It is easy to understand that sports consumption will only appear when people have solved their basic live needs. The Engel rule tells us that as people's living level gets higher, the rate of consumption on food will decline, and rate of consumption on developing materials and enjoyment materials will increase (Du, 2005). Therefore, only after people have been able to guarantee their basic life, will the sports industry have a great influence on a country's national economy.

According to the industry structural theory, the primary industry will perform a

declining tendency in national economy, while the proportion of the secondary and tertiary industry will increase (Teece, 1996) The real chances for sports industry develop come when most people in society get wealth, and the labor has transferred from the primary industry to the secondary and tertiary industry (Teece, 1996); in another word, the recession of the primary industry and thrive of the secondary and tertiary industry, which forms the industrial structure change is the real beginning of the sports industry development. From this angle, the sports industry is the corollary of industrial structure evolution.

On the other hand, the sports industry as a tertiary industry, its development pulls the development of relevant secondary industry (the construction, products manufacture and electricity). Thus the development of sports industry will contrarily promote the economic development of a country.

## **6. SOME SUGGESTIONS ON CHINESE SPORTS INDUSTRY DEVELOPMENT BASED ON ITS ECONOMIC IMPACT**

Since it is proved that the sports industry will have a great impact on Chinese economic development, this thesis will also make some suggestions on sports industry development in China. The basis of suggestions is the present situation of the Chinese sports industry.

### **A. Adjusting the sports industry structure and keeping the development balanced**

To view the whole situation of sports industry, the proportion of sports service has increased from 19.47% in 2010 to 21.01% in 2012, while the sports products have decreased from 76.23% in 2010 to 74.83% in 2012 (Xu, 2015). This implies the sports industry structure is being adjusted and optimized.

With the steady development of the whole industry, the sports industry should take the leisure sports and sports performance as core, to take sports service as compliment and the sports manufacture and construction as support, to form a diverse and comprehensive development. For city dwellers, the leisure sports and sports performance should be the prior issue; for coastal regions, the local government should focus on sports manufacture and construction to promote the whole industrial scale. For western provinces, the sports development should combine the local custom and convention, to cultivate the sports industry with unique local features (Luo, 2001). With the optimization of the structure, the sports industry in China can get better development.

### **B. Enhancing sports industry status and promoting the national economy**

In developed countries, the sports industry usually occupy 1%-3% of total GDP, and this rate in China is mere 0.6% in 2012 (Xu, 2015). As the increase of Chinese citizens' living level, their consumption pattern will change necessarily, which

performs a strong requirement on sports industry consumption. This has brought great space for the development of sports industry in China.

From this angle, it is appropriate for Chinese government to enhance the status of sports industry in China, and devote more resources on this industry. On the other hand, as I have analyzed above, the sports industry has a strong relevance with the secondary industry, so the devotion on the secondary industries are also needed. The governments should develop the sports service industry, sports products industry, sports manufacture industry and pull the development of the catering industry, accommodation industry and relevant service industry, in order to promote the fast development of national economy.

#### C. Perfecting industry statistical system and policy

The sports industry is not an industry that belongs to the sports department only. It belongs to the whole society and has penetrated into many secondary and tertiary industries (Huei, 2012). Thus, the statistical work of this industry is complicated. This brings great difficulty for the statistical work of the sports industry. On the other hand, the basis for Chinese sports industry statistics is weak, as the devoted man power, material resources and finances are deficient. Perfecting the statistics work, the Chinese government can consult to the approaches of European government, to set a sports satellite account to facilitate calculation.

On the other hand, the national and local government's policies about sports industry have big spaces for perfection. Many necessary regulations are not clearly stated by the policies, such as the regulation of introducing sports managing companies, the setting of sports lottery system, the perfection of supervision system, the introduction of favor policy, etc. The policy at present is far from meeting the social needs.

#### D. Broadening the industry financing channel and realize the investment diversity

The sports industry can not develop without financial support, but the channel of

financing lacks sufficient emphasis, and present development has to severely rely on government fund appropriation.

The major capital market for sports industry include sports securities, sports insurance, sports funds, sports lottery and sports sponsor (LUO, 2001). Among them, the sports securities is one of the most effective financial tools. The sports lottery is another important channel for financing. The sports lottery has been an important industry in the global range; for China, its scale has reached 100 billion RMB, but is still lagging behind the global level.

Apart from governmental fund offering, the assembling of non-governmental capital is also important. Only with both governmental and non-governmental funding raise, can the sports industry reach the investment diversity.

## 7. CONCLUSION

This thesis discussed the economic impact of sports industry in China and its development as major content. Firstly the developing road of sports industry in developed countries, to produce some enlightenment for China was introduced. After that, several indexed, including the proportion of sports industry output value in national economy, the primary, secondary and tertiary industries output values and the employees number of the primary, secondary and tertiary industries were used to analyze the economic impact of the sports industry. After that, the industrial relevance theory and industrial structure theory were used to make further analysis, to prove the high status of sports industry in economic activities and pulling power to other industries. Based on its importance, some suggestions for Chinese sports industry development were made, including to adjust the sports industry structure and keep inner balanced development; to enhance the status of sports industry and promote the economic development; to perfect the industry statistics and policy and to broaden the financing channel and facilitate investment. Some limitations can be found in this thesis, such as the incomprehensiveness of the data collected.

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