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**The role and effect of the football
industry on the Chinese economy**



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Abstract

In the past decade, one-third of global economic growth has come from China with continuous development, Chinese economy gradually become one of the largest economic entity and remains a relatively high growth speed. In contrast to the economic status, for the football territory, the most popular sport around the world, China hardly have any competitive advantage. However, as a result of the constant attention and effort at the government level, football dream is now regarded as a part of the Chinese dream, which is about Chinese prosperity, collective effort, socialism, and national glory. Based on this, the dissertation aimed to analyze how does football become an industry, its role in the economy, and the evolution of the Chinese football industry, finally, combined with the current situation to give some insights into the Chinese football industry.

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Introduction

This work will focus on how the football industry plays a role in the Chinese economy. It starts from the core of the football industry, which is football, as a game, to explore what is the evolution process into the football industry. Then it compares the Chinese football industry with other high-level football countries to find the current status of Chinese football. Last but not the least, based on the issues and weaknesses that coming up from Chinese football industry, it analyzes the policy and regulation of the government and its influence, also, based on the analysis to propose some possible solutions to Chinese football.

As a sport activity, football is a game initially. As time goes by, it has a significant effect both on the cultural dimension, which will not be considered in this thesis, and on the economic dimension. With the continuous improvement in different aspects, it gradually became a mature industry. Football is the highest output value industry among sports events. From the perspective of the industry chain, the football industry is divided into eight main units: football associations, clubs (players, coaches, investors), tournament alliances, broadcasters, sponsors, audience, derivatives, and football lottery suppliers. The eight participants connected with the football, also, there are different levels of relations among them. Among them, football club is the most valuable part, football clubs discover and train young players, own and trade football stars, clubs form leagues, football clubs build brands, sell broadcast rights, win sponsorships, and conduct brand operations, this value creation shows a part of the economic value of the football industry. A similar condition can be explored by the

national team, league match, and the like. With the intensity of the competition increased and the extent of impressiveness improved, the football match would attract more audiences. Also, the uncertainty of competition leads more fans to support their fond team. These positive stimuli would enlarge the football economy, also promote the role of football industry on the national economy.

In the second and most critical part, the thesis analyses the Chinese football industry in detail. As almost everyone known, traditional football was invented by China, but it mainly is treated as recreational activity or bodybuilding. Concerning modern football, China hardly has any superiority. Since professionalism reformation, Chinese football met many kinds of problems, most of them has impeded the development of Chinese football, result in the national team and CSL (Chinese Football Association) to meet some failures, but the defeats can give many hints. With the endeavor from all sectors of society and the attention of the government have gradually increased, football became more and more attractive among society. As an all-people activity, there are some interesting points from president Xi, which can help people to understand the situation of Chinese football better. The thesis also compares Chinese football with such as Japan on the national team level, with the Premier League and La Liga on the football club level.

Chapter 1: Football as industry

1.1 The history of football

When talking about the origins of football, it is crucial to draw up a distinction between the game as we know it today and any sport that involved using the feet to kick a ball. That is because if talking purely about the latter, then it needs to travel back to the second and third centuries BC for a reference to a game played with the feet.

The Chinese military used to play a game called Cuju, which involved the kicking of a ball made of leather and filled with hair and feathers through a small opening and into a net. The player was not allowed to use their hands to aim at his target unimpeded but to make use of their body to withstand the attacks of his opponents. Cuju is the earliest form of modern football, although Cuju does not evolve modern football. However, the International Football Federation confirmed in 2004 that football originated in Shandong, China.



Figure 1.1 Playing “cuju.”

There was a game in ancient Greece called Episkyros, which involved using the feet, and the Romans had their sport known as Harpastum. This involved trying to get the ball across boundary lines in the opposition’s half of the pitch and was popular for nearly a century. They did introduce the game into Britain, but it is clear that there was not any real influence on modern-day football.

1.2 How football became an industry

The football industry is many commercial activities which surround football itself, it is the output of the market economic activity development, with the number of people participated and professionalism process, the development of football activity formed a particular scale and stepped into specific stages.

On October 26, 1863, the British established the world's first football association, the English Football Association. In addition to announcing the official establishment of the English Football Association, the world's first unified football competition rules were formulated and adopted and recorded in written form. The birth of the English Football Association marks the beginning of a new phase in the development of football. On May 21, 1904, the International Football Association (FIFA), abbreviated as FIFA (Fédération Internationale de football association), was officially established in France. It is now composed of Six confederations and 211 national associations, which oversee the game in the different continents and regions of the world.

With the improvement of rules and regulations, the establishment of organizations and associations, the football events have gradually become more formalized, such as the formation of the professional league, bringing colossal market potential, which has attracted more audiences and media, there is a large amount of money involved, no matter investments or revenues. Therefore, football is not just a game but a complete industry.

1.3 The composition of the football industry

The football industry is a synthesis that is dominated by a large and well-developed football market, deriving a series of comprehensive industries. These economic activities around football include the commercial operation of football matches, the investment, and output of clubs, the development of intangible assets, the production and sale of football supplies, and the operation of other industries related to the football industry.

The football matches are the core part of football industry chains, it mainly reflected as two parts, the first is the cup matches, especially the World Cup and UEFA Champions League, the second is the league matches in different countries, in particular, the 'Top five' European leagues, where core is the latter.

Football industry is mainly composed by eight parts, as shown in the Figure 1.2, which are football associations: generally speaking, the football association is the competent unit of the football league, responsible for formulating the rules of the game, implementing the rules of the federation, resolutions of the congress, and organizing association members, officials and athletes, organizing all levels competitions, clubs: the core of the club are players, coaches and investors, tournament leagues: profit maximized main body, broadcasters: including traditional TV channels and new media (such as video sites, Internet TV, etc.), sponsors: including different levels of title sponsors, official partners, official suppliers, which corresponds different sponsorship thresholds, audience: corresponding to different communication channels, viewers can be divided into live audiences and broadcast viewers, derivatives developers and licensors: representing the portrait rights of football star, and star jerseys, as well as authorized brands, and the football lottery suppliers.

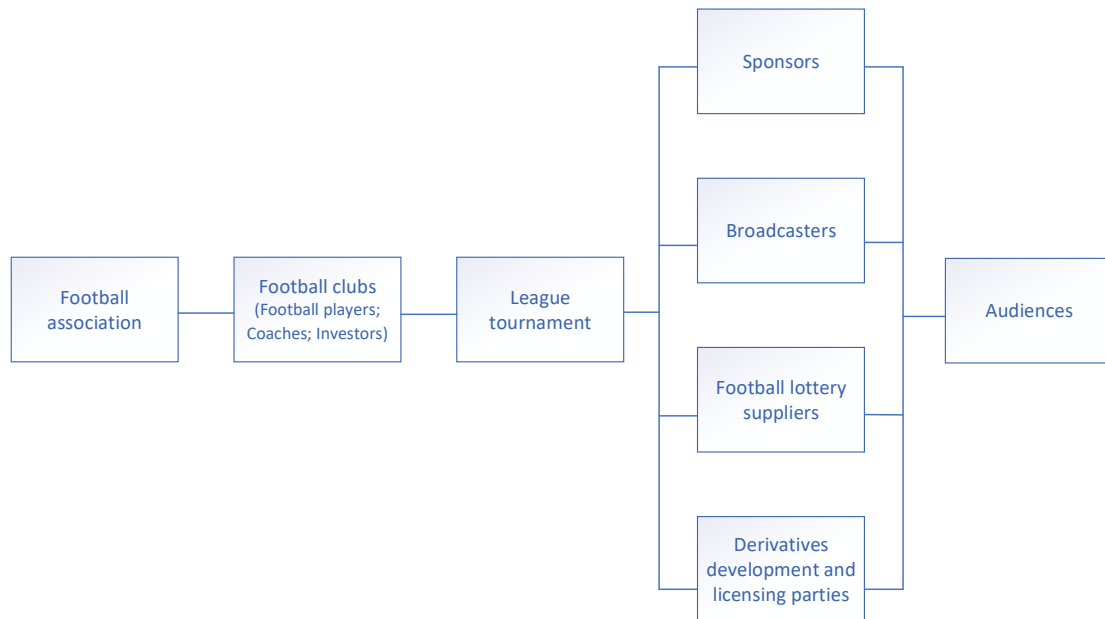


Figure 1.2 Football industry chain

However, if we are according to the operational logic of the football industry, the football industry can be divided into three stages: production, operation, and realization. The productive process mainly includes talent training, player brokerage, club organization, match organization, etc., it is an essential part of the whole industry content. Among them, talent training mainly refers to the development of youth football, that is, the training of young players. Player brokerage refers to establishing a bridge between players and clubs, connecting clubs and players, mainly for players' interests. Match organization means organizing various football matches, including cup matches and league matches. The primary mission of the operative process is the process of organizing and diffusing content to consumers and enterprises, including the production and operation of copyright, derivative development, ticketing, and marketing communication. In the operative process, it is mainly aimed at the development of the football market, which is equivalent to linking the two processes before and after to some extent. The realizable process mainly refers to the process of consumption and

sponsorship advertising investment after the enterprises and consumers receive the football products and content, which is the final link of the whole industry and the ultimate source of industry income.

1.4 The development of the football industry

The scale of football industry is growing rapidly. The economic factor is one of the most critical factors to reflect it; thus, also the value of the football industry is continuously growing up. The core participant of the football industry is undoubtedly the football club, which consists of athletes, coaches, and investors. The football club establishes brands for football clubs, sells broadcast rights, conducts brand operations, accepts the capital investment of the investor, discovers and trains the young athletes, owns and trades football stars, and assigns the coaches to conduct daily training for the players. At the same time, the football clubs form a league, attracting fans to buy tickets for the event to honor the economic value of the league.

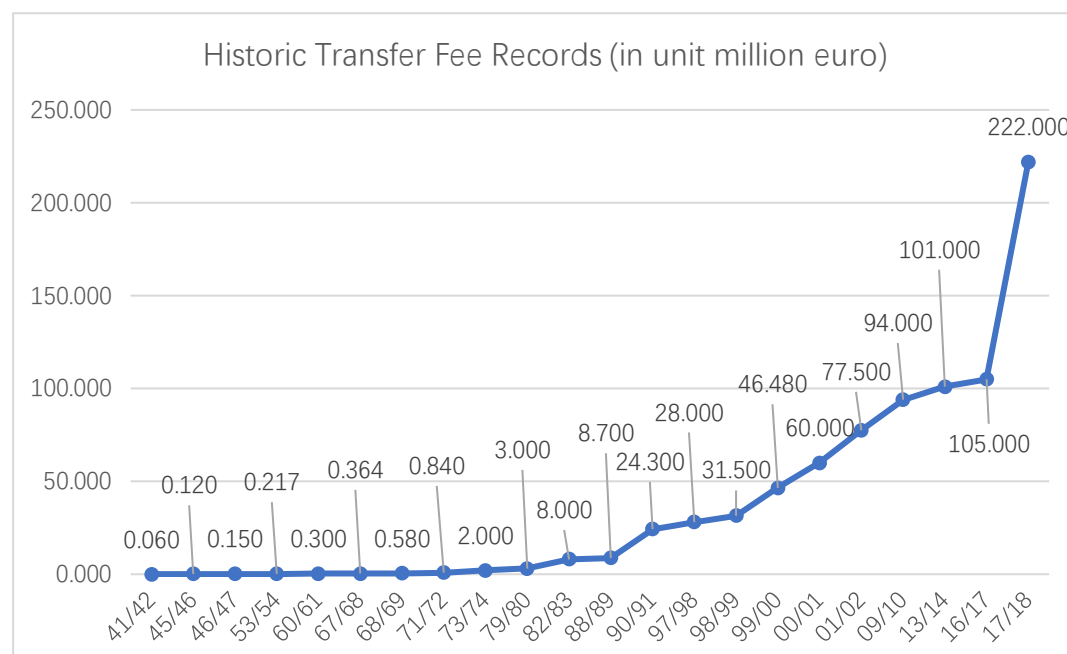


Figure 1.3 Historic transfer fee records from season 1941/1942 (million euro)

Take the transfer fees of football player as an example, the first recorded record transfer was of Willie Groves from West Bromwich Albion to Aston Villa only for £105 in 1893 (equivalent to £11,000 today), then in the July, 1982, when Maradona was transferred from Boca Juniors to the FC Barcelona, the transfer fee was €8 million, the current transfer record was set by the transfer of Neymar from Barcelona to PSG for €222 million (£198 million).

According to authoritative data, in every 100 people in the world, 7-8 people like to play football, so the penetration rate of football is 7%-8%. As of April 2019, the world's total population was 7.7 billion people, so football enthusiasts around the world are expected to have 539-616 million people. The global football industry has a vast audience, and the market demand will maintain steady growth with the increasing number of world populations.

At the same time, after nearly a hundred years of development, there have been five world-class top football events in the world: The World Cup, the UEFA Champions League, the Confederations Cup, the European Cup, and the Olympic Games. The respective competitions have different development characteristics and rich competitions, which provide enough power for the development of the global football industry.

Also, with the globalization of the football match, the development of the football business has globalized either. Therefore, the globalization of football business guarantees the sustainable development of the global football industry.

Chapter 2: What is the role of the football industry in the economy

2.1 Football commercialization

As analyzed before, there has been a significant economic development in the football industry since its birth. It cannot be denied that the commercialization of football plays a vital role among that, where football club as the core participant needs to be paid more attention.



Figure 2.1 “Money” football

The football commercialization means the process of the combination of football itself with a collection of economic and financial activities. It helps to increase the value of football industry and promoting the globalization of football, where one of the basic commercialized activities is to play football match to attract more audiences. Before the 1990s, professional clubs aimed to entertain the fans by accomplishing sports success while not to maximize profit as primary needs. Therefore, to get maximized football event victory, finding ways to improve the success rate of the football event is the most important thing, in other words, to reach maximum utility.

2.1.1 Early-stage commercialization

There is a crucial stage needs to be mentioned that is the Bosman ruling, the case was an important decision on the free movement of labor and had a profound effect on the transfers of football player within the European Union (EU). After the ruling, EU players are allowed to move to another club at the end of contract without a transfer fee paid and banned restrictions on foreign EU players within national leagues. It is a critical moment to formulate commercialization of football. Besides that, since for media companies, the broadcasting of any sports activities or any sporting events had become the most vital tool to attract advertisers and viewers. Thus, global media companies play a vital role in football. Due to the occurrences of those incidents, and the need for income from broadcasting, merchandising and sponsoring, led to a high commercialization of professional football. Football clubs try to compete more and more on profit earnings; in other words, the football industry transformed from a utility-maximizing to a more profit-maximizing consumer-oriented service.

2.1.2 Late-stage commercialization

Due to the commercialization of football, the income level of the football club has been increasing so dramatically, as well as the income structure of the football club has been changed mainly. Usually, the primary source of revenue was the collection of money from any match day, including the season tickets and memberships. The revenue of match day is often obtained from season tickets and memberships.

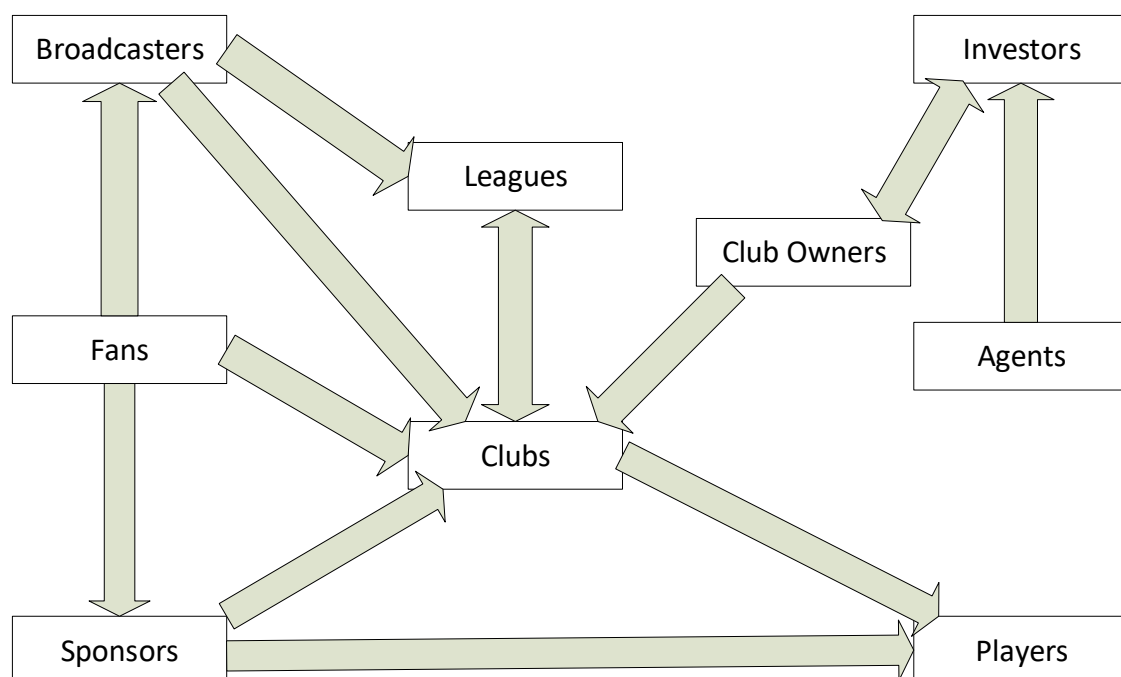


Figure 2.2 Revenue flows around football club after commercialization

However, with the continuously deepening of commercialization, many more sources of income are arising, such as broadcast sources, commercial sources, player transfer fees, and so on. Then, the stakeholders around football club continue to interact each other, broadcasters, and sponsors continue to inject vast amounts of money into club revenues and become an essential source of economic resources for the club. At the same time, the fans, the league, and the department between athletes and clubs have also changed. Club owners and investors invest money in club operations in order to

achieve higher profit returns; continue to open up new channels for fans to support their team; paying more money in order to get better player performance on the court, the club continues to entice athletes through higher transfer fees and salary bonus levels; athletes entrust their benefits to professional brokers in order to protect their interests. The growing number of fan groups has become the basis for cooperation between broadcasters, sponsors, and alliances.

Performance of "Top five" leagues' football clubs on the stock market in 2016				
Club	Currency	Price close (as of 30 December 2015)	Price close (as of 30 December 2016)	Annual change(%)
Olympique Lyonnais	EUR	2.03#	2.94	44.8%
Borussia Dortmund	EUR	4.01	5.26	31.2%
Juventus FC	EUR	0.26	0.30	15.4%
SS Lazio	EUR	0.52	0.58	11.5%
Arsenal FC	GBP	15670.00#	16510.00	5.4%
AS Roma	EUR	0.49	0.41	-16.3%
Manchester United FC	USD	17.81#	14.52	-18.5%

#As of 31 December 2015

Figure 2.3 Performance of "Top five" leagues' football clubs on the stock market in 2016

Besides the change of revenue structure, which is influenced by commercialization, the structure of the football club has been changed as well. As the Figure 2.3 displayed, there are many football clubs become the stock exchange-listed company, such as Juventus, Dortmund, Manchester United, and other teams, where the last one is usually treated as the most successfully commercialized club; it has a long history of commercialization, starts from 1991. Based on its globally commercialized strategy, it has an excellent reputation around the world, around 0.35 billion fans in 2011 over the world. According to the identity of its listed company, through capital operation, it can get enough funds to buy and sell players.

2.2 The role of football industry development in promoting the economy

2.2.1 Football economy

Football is the largest single sport over the world, with the largest and widest audience amount, and the most influential sports. Football economy is an economic form in which its main body is composed of football and its related industries, and it is achieved by football players transfer and circulation of football-related products.

The annual Gross Domestic Product of the football industry is 500 billion US dollars. In 2018, football could be the 17th largest global economy, and it is well-deserved to rank first in the world sports activity. Usually, the revenue is the measure to count the football market size. Football accounts for 43% of the total output value of the sports industry, far exceeding rugby, basketball, volleyball, and other projects.

In the modern football economy, the most important commodity is the football player, and the football player becoming a commodity is the inevitable result of the commercialization of football. The football club cultivates football players, undertakes a series of fees caused by a player, which is similar to the producer put means of production in merchandise production. The "circulation" of the football player realizes the value of the goods, that is when his/her club sells the football player, and the worth of football player is the value of the items. Then, other products are circulating in the football field, such as the development rights of the jersey, the right to rebroadcast the football match, and different kinds. As a relatively new industry, the "football economy" has strong driving effects and relevance and has become an important part of the sports industry. The development of "football economy" has driven the

development of industries such as manufacturing, advertising, and service industries, and increased employment opportunities.

When considering a specific country, such as Spain, the analysis shows that, in 2016/2017, the professional football industry generates 185,000 jobs, €4.1 billion in taxes, and a turnover equal to 1.37% of Spain's GDP. Regarding the contribution to production, the total turnover generated by the professional football industry in Spain in 2016/17 was over €15.69 billion, which equates to 1.37% of the country's GDP. The industry's total contribution to employment was 185,000 jobs in 2016/17, with every job directly generated by LaLiga, creating four more in Spain, covering an average of 0.98% of employed workers in Spain. LaLiga generated additional revenue in other sectors such as catering, accommodation, bars, and domestic tourism of almost €4 billion. In terms of the impact generated by football in other areas of the economy, the contribution to catering, transport, and accommodation linked to sporting events held at stadiums stands out, with it reaching €2.4 billion in the 2016/17 season. Besides the impact generated by stadium visitors, high viewing figures for LaLiga matches helped Spanish bars take in around €1.23 billion, generating 19,415 jobs in the process.

It reflects the influence of football in an economy; in other words, no matter as a part of the national economy or itself, football plays a vital role in the economy.

2.2.2 'Top five' leagues

Usually, the development of football suffers a process from football industrialization to football commercialization, to explore the economic influence of football industrialization, which is worthy of paying attention to the development of European

football. As the root of football industrialization, the development of football league progresses a lot in Europe.

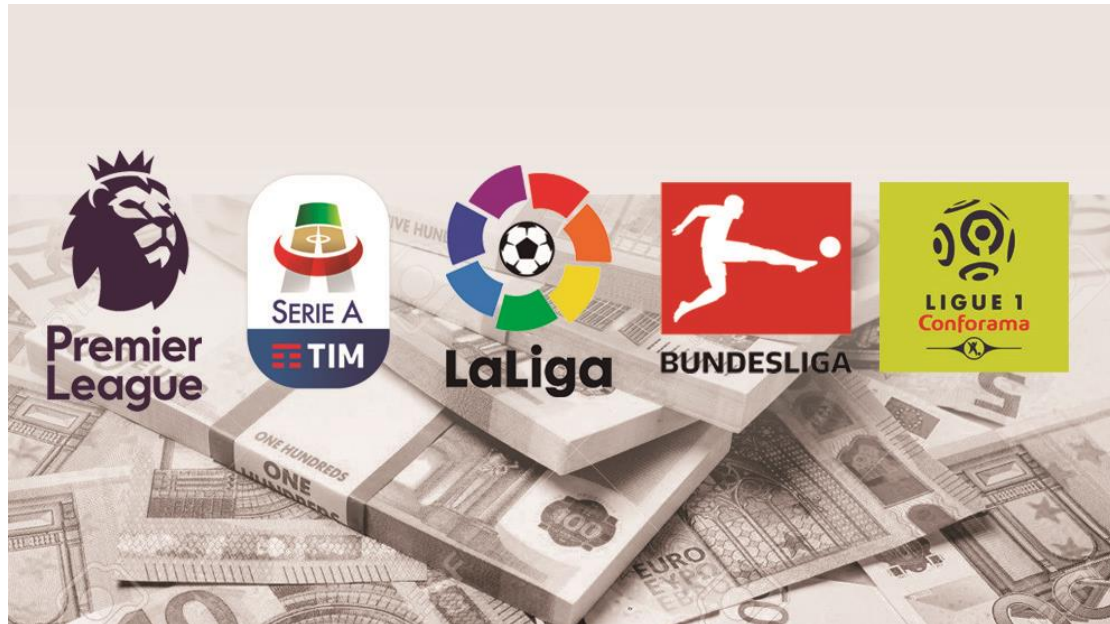


Figure 2.4 The logo of 'Top five' leagues

Thanks to England as the birthplace of modern football, it has the most extended history of modern industrialization football development. As a result, the English football league, id est, the Premier, is becoming one of the most successful football leagues all over the world. This kind of success can be viewed in different views, as analyzed above, one of the most important is the great success achieved in commercialized operation, where its core player is the operation of the football league.

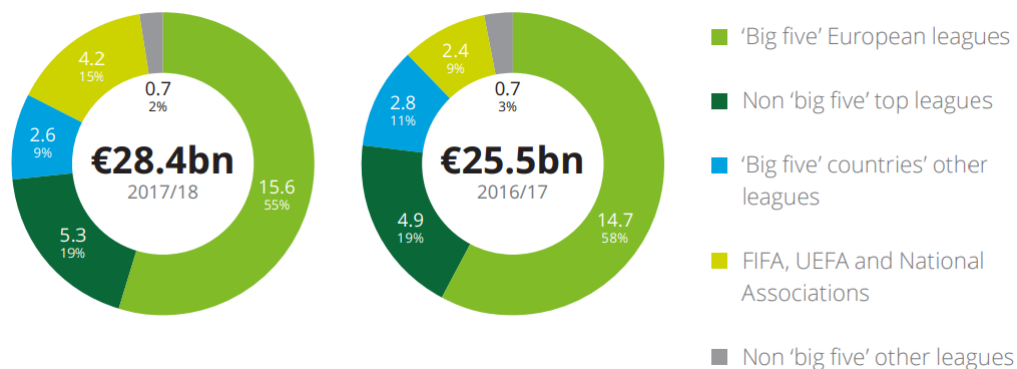


Figure 2.5 European football market size – 2016/17 and 2017/18 (€ billion) (leagues, Deloitte analysis)

Soon afterward, the development of football league in all European has excellent progress. With time goes by, a ‘Top five’ leagues gradually becoming the most famous and highest level around the world, which implies Premier League (England), Ligue 1 (France), La Liga (Spain), Bundesliga (Germany), Serie A (Italy). In the 2017/18 season, the market size of the above five leagues accounted for 55% of the entire European market size. To detect the reason for such a huge market size of ‘Top five’ leagues, the football league professionalism and football industrialization cannot be denied. Due to the strong performance of the ‘Top five’ league clubs, their clubs have more opportunities and could compete in high-level matches. Distributions to clubs participating in its two main competitions, the Champions League and Europa League, grew by 2% to total €1.8 billion. Among these, there are €1.2 billion (66%) found its way to clubs in the ‘Top five’ leagues.

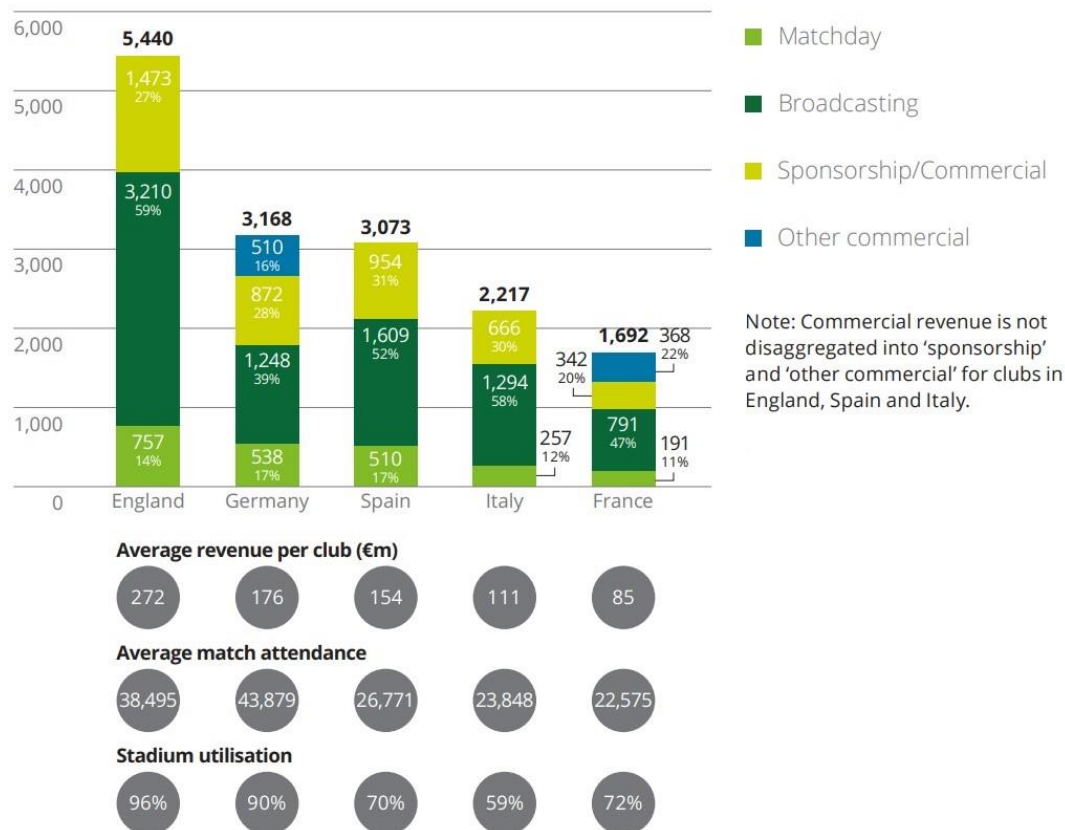


Figure 2.6 'Top five' European league clubs' revenue – 2017/18 (€m) (leagues, Deloitte analysis)

In the 2017/18 season, the revenue of the Premier League far exceeded the other leagues up to 5,440 million euros, followed by the leagues from Germany and Spain, the lowest one is France is also as high as 1,692 million euros. Through analyzing revenue composition of different football leagues in UEFA, which are based on comprising four sources of revenues, Matchday, Broadcasting, Sponsorship/Commercial, and other commercial activities. According to Figure 2.6, the revenue from broadcasting is the main part of 'Top five' European league club. It can be said that this is a certain degree of inevitable phenomenon, which is a benefit from their long history of football development. By using previous analysis and to be more detailed speaking, taking the English football as an example, on account of they start early in the process of football professionalism, the appearance of professional football player leads to a professional

football league, with the rights of players have been gradually guaranteed and the rules have been improved continuously by the related associations, which attract more and more audiences and investors involved. Then, since there are more and more stakeholders involved in the value chain, the football industry is maturing either. So far, as a result of people began to pursue maximum profits, commercial development has been paid more attention to; football commercialization becomes an important phenomenon.

As an important part of football commercialization, among the broadcast rights, football players play a vital role. Football players bring wonderful games, which make themselves and their club was known in a larger scope. However, as a club, they hope that more audiences can enjoy it to earn more income. Therefore, the emergence of a series of ways such as TV broadcasting, in an international way, can bring more audiences a live experience of watching the game is also reasonable, and the audiences are happy to pay for it. For example, two of the most comprehensive strength in the La Liga, where Real Madrid's success in European competition, and FC Barcelona's new four-year shirt front sponsorship with Rakuten, drove the league's commercial revenue growth of 14%.

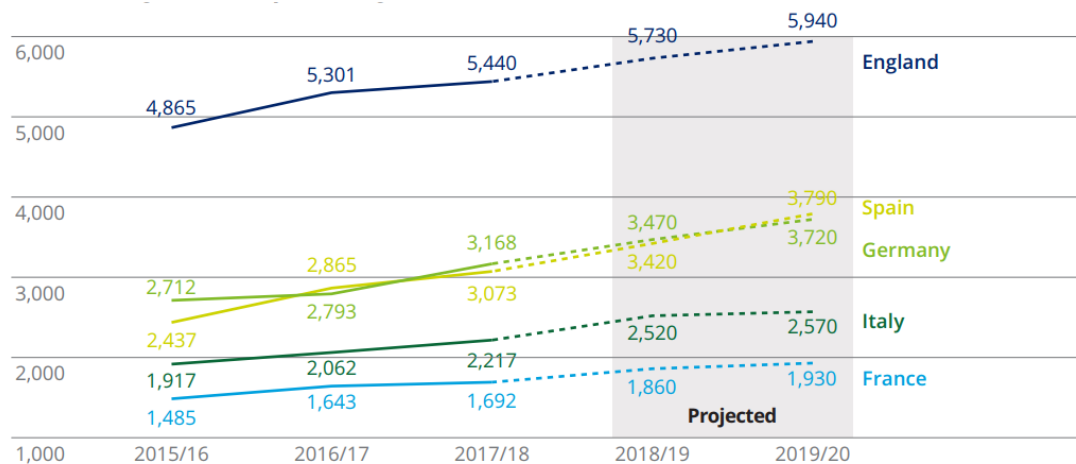


Figure 2.7 ‘Top five’ European league clubs’ revenue – 2015/16 to 2019/20 (€m) (leagues, Deloitte analysis)

Observing the figure above, the revenue of ‘Top five’ European league is growing year by year, the Premier League remains Europe’s richest league in the medium term, due to the international broadcast rights sales for the cycle commencing in 2019/20, there is 30% uplift achieved has offset the slight decline in the value of domestic rights sales, to ensure values will increase by 8% overall. The commercial revenues for Bundesliga clubs will continue to rise, which benefits from the new four-year broadcast rights cycle having just begun. La Liga is looking internationally for future growth in a greater number of key territories, as well as its completion of domestic rights sales for the broadcast cycle commencing in 2019/20, at an around 20% uplift. domestic live broadcast rights of Serie A for the three-year cycle commencing in 2018/19 were sold to Sky Italia and DAZN, and the international broadcast rights have been sold to IMG, where the overall result will get over 10% growth in broadcast revenues, another potential is the ‘Ronaldo-effect’ from Juventus club. As for the Ligue 1, the new commencement of an international right from 2018/2019 season will deliver an incremental around €50m per season, and then until 2020/2021, there will be a

significant broadcast right increase, when domestic rights values are set to increase by over 55%, to around €1.2 billion per season.

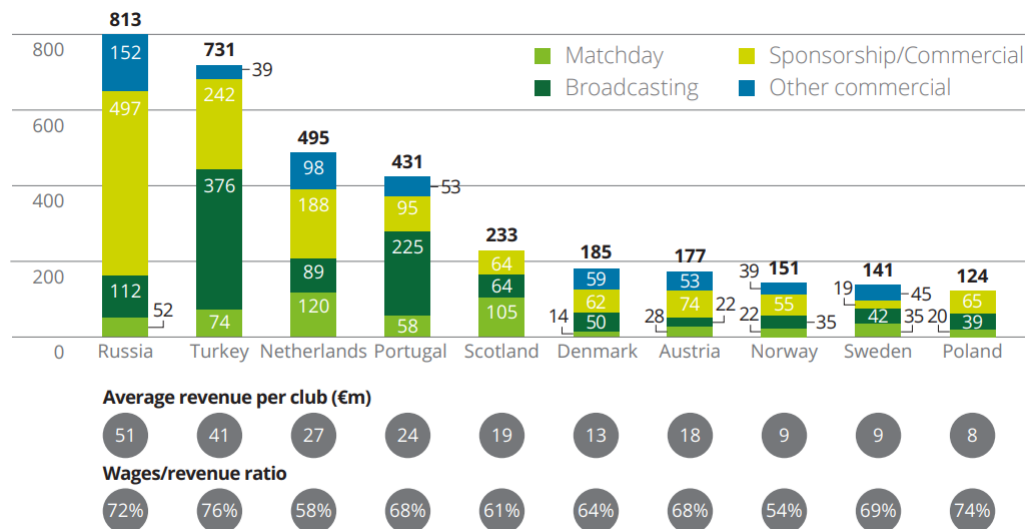


Figure 2.8 Selected other European league clubs' revenue – 2017/18 (€m) (leagues, Deloitte analysis)

Since Europe is one of the best areas for football development in the world, besides the 'Top five' leagues, the rest of the leagues in Europe have proper commercial development as well. Regarding the Russian Premier League, it is the sixth-highest generating top-tier, which is driven by a new broadcast rights deal, which delivered an increase of around 33%, also, since the data was collected before the FIFA World Cup, the clubs could benefit from the new stadium and infrastructure. The 2017/18 season also saw the start of a new domestic broadcast rights deal for the Turkish Süper Lig, providing an uplift reportedly worth around €250m per season over the next five years. Due to the bad performance of the Dutch national team and clubs, a reform from professional football in the Netherlands counteracts the 10% revenue growth in the Eredivise to some extent. Driven by increased distributions and matchday revenues, as a result of the UEFA Champions League group stage participation of the top three clubs

from the Primeira Liga (S.L. Benfica, FC Porto, and Sporting CP) the Portuguese Primeira Liga saw overall revenue growth of 18%. In the 2017/18 season, Scottish Premiership revenues increased to €233m, driven by matchday revenue growth of 19%, and regarding the broadcast rights, an exclusive five-year domestic broadcast rights deal with Sky Sports will deliver a 20% increase on the existing deal from 2020/21. Since the overall revenue of the Austrian Bundesliga is declining, even if there is an increase in the matchday revenue, the final amount becoming 177 million euros. Due to the lack of opportunities to participate in the Champions League, the remaining four leagues did not perform well. However, the new broadcast agreement will have a chance to improve the situation of leagues in Poland and Sweden. As for the Danish Superliga, the reform of its league formats may help their commercial rights.

Country/Economy	GDP (billions of \$)			Share in 2018 (%)		Rank	
	2017	2018	Change	Europe	World	Europe	World
Germany	3,700.613	4,029.140	328.527	17.8	4.75	1	4
United Kingdom	2,628.410	2,808.899	180.489	12.4	3.31	2	5
France	2,587.682	2,794.696	207.014	12.4	3.29	3	6
Italy	1,938.679	2,086.911	148.232	9.23	2.46	4	8
Russia	1,577.525	1,576.488	-1.037	6.97	1.86	5	12
Spain	1,313.951	1,437.047	123.096	6.35	1.69	6	13
Netherlands	832.239	909.887	77.648	4.02	1.07	7	17
Turkey	851.521	713.513	-138.008	3.15	0.841	8	19
Switzerland	678.967	709.118	30.151	3.14	0.836	9	20
Sweden	535.615	554.659	19.044	2.45	0.654	10	22
Poland	524.833	549.478	24.645	2.43	0.648	11	23
Belgium	493.669	536.055	42.386	2.37	0.632	12	24
Austria	417.351	459.401	42.050	2.03	0.542	13	27
Norway	398.832	441.439	42.607	1.95	0.520	14	28
Ireland	331.545	366.448	34.903	1.62	0.432	15	33
Denmark	325.556	354.683	29.127	1.57	0.418	16	36
Finland	252.753	276.553	23.800	1.22	0.326	17	44
Czech Republic	215.825	244.540	28.715	1.08	0.288	18	46
Romania	211.884	239.440	27.556	1.06	0.282	19	48
Portugal	218.008	237.962	19.954	1.05	0.280	20	49

Figure 2.9 GDP (nominal) rankings in Europe (top 20)













Pos	Country	14/15	15/16	16/17	17/18	18/19	📍 Pts	📍 Clubs
1 =	 Spain	20.214	23.928	20.142	19.714	19.571	103.569	7
2 =	 England	13.571	14.250	14.928	20.071	22.642	85.462	7
3 =	 Italy	19.000	11.500	14.250	17.333	12.642	74.725	7
4 =	 Germany	15.857	16.428	14.571	9.857	15.214	71.927	7
5 =	 France	10.916	11.083	14.416	11.500	10.583	58.498	6
6 =	 Russia	9.666	11.500	9.200	12.600	7.583	50.549	6
7 =	 Portugal	9.083	10.500	8.083	9.666	10.900	48.232	5
8 =	 Belgium	9.600	7.400	12.500	2.600	7.800	39.900	5
9 =	 Ukraine	10.000	9.800	5.500	8.000	5.600	38.900	5
10 =	 Turkey	6.000	6.600	9.700	6.800	5.500	34.600	5
11 =	 Netherlands	6.083	5.750	9.100	2.900	8.600	32.433	5
12 =	 Austria	4.125	3.800	7.375	9.750	6.200	31.250	5

Figure 2.10 UEFA Association club coefficients (UEFA)

Comparing Figure 2.9 and Figure 2.10, there is an interesting point, that is the European "Top five" football leagues are located, with the only exception of Russian, in the top five countries of GDP. Where the Russian premier league does not belong to the 'Top five' football leagues, but its revenue ranks at the sixth, as well as its rankings of the UEFA Association club. Looking at the level of league revenue in various European countries, we can find that the receipt of the 'Top five' leagues far exceeds those of other European leagues.

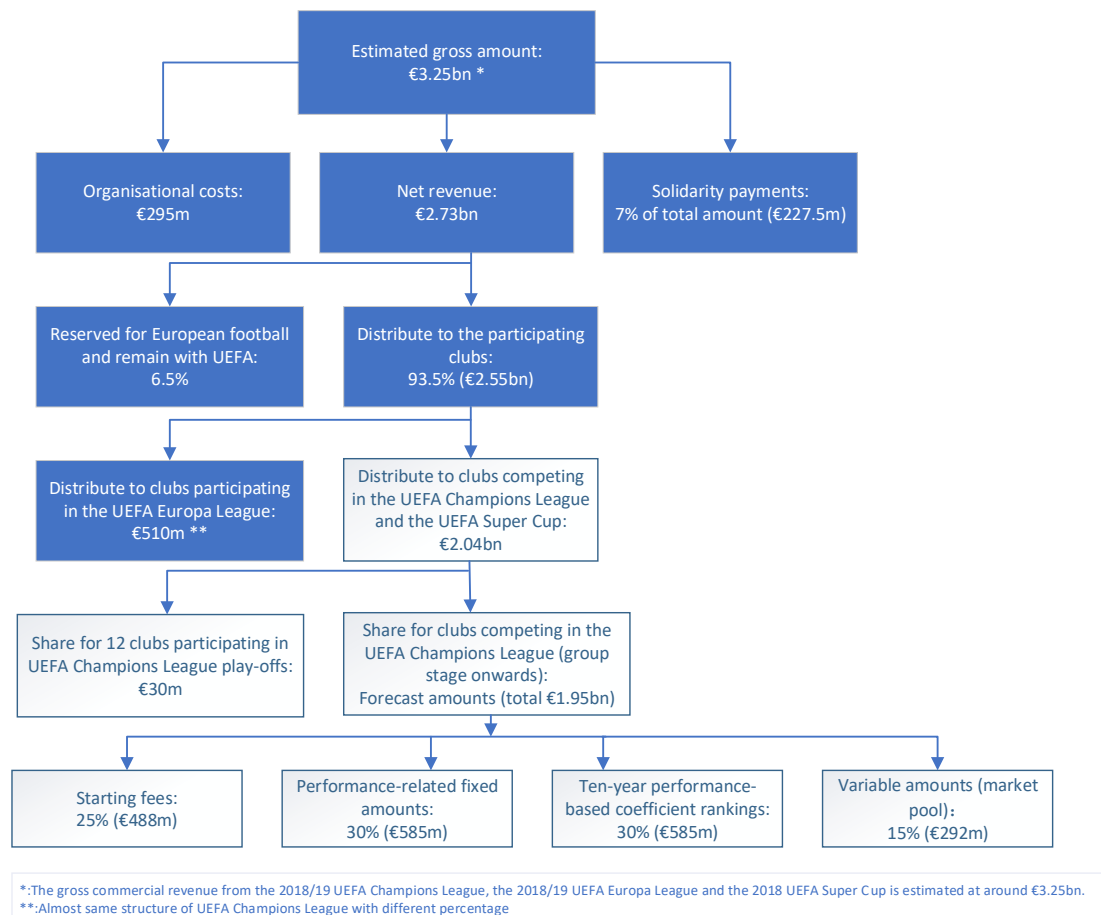


Figure 2.11 2018/19 UEFA club competitions revenue distribution system (more focus on the UEFA Champions League)

There are multiple reasons for the gap between 'Top five' leagues and the rest of European leagues. The first is the league's level. Due to the higher level of league professionalism and professionals, the overall strength of the 'Top five' league clubs is stronger than that of other countries' league teams, so that they have more opportunities to participate in the UEFA Champions League and UEFA Europa League and win the championship. As the Figure 2.11 shows, the clubs who could participate in more high-level competitions are favored by sponsors and broadcasters, and the ticket fees for the matchday will also increase with the level of the match. When comparing those high-level teams with the teams that are not able to participate in the UEFA Championships,

the absorbing money ability of the former has an obvious strength. Under a series of causal relationships, the profitability of the 'Top five' leagues is better. Another noteworthy point is the difference in revenue structure. In the revenue structure of the 'Top five' leagues, the proportion of broadcasting revenue is the largest, but the sponsorship revenue is at most 31%, which proves the importance of the commercial development, that is football commercialization. Last but not least is the economic development of the country where the league is located. Although the European economy as a whole is in a relatively sluggish state, the nominal GDP of the countries where the 'Top five' leagues are located is at the forefront of Europe. The relatively good economic environment is more conducive to football, steady development, in turn, as mentioned in the previous section, the development of football has also driven the local economy.

Therefore, it is not right to say that the rankings of an economy of a country in terms of GDP corresponded to its football association rankings, but there is no doubt to say there is mutual effect between industrialized football level and economic level of the corresponded country, to be precise, the more industrialized football industry will boost more economic development.

2.2.3 World cup

At the national level, the FIFA World Cup is the largest, most spectacular and influential football event around the world. It is held every four years, and the participants are composed of 32 different FIFA member states (regions). It is not only a football fans belong to the gluttonous feast, but also a revelry of capital, which has a

far-reaching economic effect for related personnel and countries, especially for the host country and competing countries.

Taking the 2018 Russian world cup as an example, it attracted approximately 3.572 billion viewers worldwide, which will undoubtedly bring in a lot of broadcasting revenue. However, there is no denying that most of the proceeds, including broadcasting and sponsorship money, will flow into FIFA, and Russia, the host country, spent some \$14bn on the tournament, making it becomes the most expensive one in history. However, even in these circumstances, the World Cup is helping Russia boost its economy in all sorts of aspects.

First, by hosting the World Cup, Russia has a chance to show off its public image and promote its cultural traditions, which will attract more tourists and investors and turn the promotion of soft power into economic benefits. A surge in tourist numbers during the World Cup has fueled local consumer markets such as accommodation and retail. During the World Cup, Russian host cities received more than 5 million visitors, an average increase of 74 percent per city. POS activity in Moscow's public catering sector has doubled in the week since the World Cup began. Hotels in St Petersburg and Moscow were 74 percent full in the final week of the World Cup. Besides, the local Russian fans spent up to \$12 million during the four-week tournament. Earlier estimates by Russia's tourism ministry suggested that fans from around the world would spend more than \$2 billion in Russia during the World Cup.

Then, the infrastructure investment in preparation for the World Cup has also had a significant positive effect on the Russian economy. Moscow's mayor, Sergey Sobyenin,

says the World Cup will add at least \$1 billion to the city's financial surplus this year.

Deputy prime minister Arkady Davorkovich said the World Cup had created 220,000 job opportunities in Russia, including 79,000 in construction, 38,000 in hotels and catering industry, and 18,000 in transportations and communications.

In particular, the effect of pushing economy development will not end with the end of the World Cup. Projections from the Russian Ministry of Economic Development suggest that the number of visitors to Russian cities hosting the World Cup will rise to 10.75 million between 2018 and 2020. According to the report of Russian World Cup Organizing Committee, the 2013-2023 World Cup will boost Russia's GDP by 26 billion-30.8 billion us dollars within ten years after Russia's successful bid. In the next five years, 160,000 to 240,000 new jobs will be created in construction and tourism. It is noticed that the combined benefits of the World Cup in Russia at \$15 billion, more than previous hosts such as Brazil, South Africa, and Germany. Buoyed by the World Cup, over the next five years, Russia will generate \$2.86 billion in economic growth and \$1.75 billion benefits besides the income from investment.

However, since the World Cup will only last for one month, and the stimulus from spending connected to the event is destined to pale next to an economy with a GDP of \$1.3 trillion. Besides, the incentive from many fields are one-off and transient, which may not bring material change. Last but not least, it is regarding the post use of the stadium. There are many local governments heavily indebted for constructing or improving stadiums, and it is not clear if the operating income in the future will cover the series of expenditures.

The similar condition can be found in other World Cup. Such as the 2014 Brazil World Cup, the event had a direct injection of around \$13.6 billion for at least 15 economic sectors in Brazil, which is almost equal to 0.7% of Brazil's GDP. However, the World Cup did not solve the problem of the unreasonable economic structure of Brazil. At that year, the global staple commodity market was sluggish. Brazil, which relied on raw material exports, economic growth was very slow in that year and slipped into the economic crisis until now. As for the South Africa World Cup, it contributed a totally 509 million dollars to the 2010 real GDP. Besides, it created 769 million dollars in benefits for different families, of which USD 228 million designated to low-income families. However, South Africa invested about 4.3 billion US dollars for the World Cup, which is more than 40 times the original budget. Also, any income and activities of FIFA in South Africa are exempt from taxes. Therefore, the actual primary beneficiary is FIFA.

It is evident that both directly and indirectly, the hosting of the World Cup does have many positive effects on the local area. Including the increasing job opportunities, the number of visitors, and a series of results. However, the hosting of the World Cup also needs corresponding economic strength and the excellent preparation of facing the potential unfavorable factors. Its successful holding will have far-reaching significance in many aspects. That is to say, if there is enough economic/financial strength and do an excellent job after the event, such as the use of facilities, which will bring a splendid World Cup, which in turn will boost the economy of the local area.

Chapter 3: The Chinese football industry

As mentioned above, traditional football was born in China. However, there is no high relevance between traditional football and modern football, and as we step forward to modern football, honestly speaking, its development in China is not always smooth but suffers a lot tough.

3.1 The history of Chinese football

3.1.1 The Chinese national football team

Modern football was introduced to China at the end of the 19th century, mainly in Hong Kong and Shanghai, and slowly developed in many cities. At that time, there are leagues within the cities and matches between different cities. The old Chinese national football team was founded in 1924, and it joined FIFA in 1931. In the early stages, the teams representing China in international competitions mainly participated in regional sports games, such as Far Eastern Championship Games; also, they participated in the 1936 Berlin Olympics. Their players were basically from few regions with a more developed economy and football.

After the founding of the People's Republic of China, due to the political issues, the Chinese football quit the FIFA. However, the football-related activity never stopped, the Chinese national football team went to Hungary to study abroad and returned in 1958. Although it did not help the national team successfully participate in related international football matches, it successfully cultivated many backbones for the future Chinese football. Until the end of the 1970s, with the pace of reform and opening-up, Chinese football returned to FIFA, and the Chinese national football team was

recognized as China PR by FIFA and tried to head to the 1982 World Cup. Although the results are failed, Chinese football began to be coherent with international football, and through the broadcast of the World Cup, it cultivated a group of football fans. In the same year, the Chinese women's football team was established; it has not been popular in China for a long time. It is still not indispensable, and in a subordinate status, the system and mode of thinking are still in the traditionally professional sports era. The first generation of female football players are still active on the field until now, only when the Olympic Games in 1996 and the World Cup in 1999 Chinese women's football team won the runner-up two times, that inducing a certain women's football upsurge.

The Chinese national football team has won the EAFF East Asian Cup twice in 2005 and 2010 and have been runners-up at the AFC Asian Cup twice in 1984 and 2004. Although China PR failed to score a goal in their FIFA World Cup debut appearance during the 2002 FIFA World Cup, losing all their matches, qualifying for the tournament has been considered the most significant accomplishment in the country's football history.

3.1.2 The Professional league

Before 1994, China's domestic football teams were specialty football teams, most of which were managed by local football associations. Besides, China has a considerable number of industry associations belonging to different state-owned institutions, such as the Bayi team under the military.

In 1992, the Chinese Football Association held a working conference in Hongshankou, the western suburbs of Beijing. With the theme of reform, the conference decided to use football as a breakthrough in sports reform, established the reform direction of Chinese football to take the professional path. Professionalism aims to let the participating teams break away from the original government administrative sports mechanism and completely use commercialization and marketization as a means of survival and development. In 1994, the Chinese Professional Football League was established, named as National Football Jia-A League. From 1994 to 2003, it was the highest tier of professional football in the People's Republic of China, operating under the auspices of the Chinese Football Association, and in 1995, Jia-B announced to be a pro-league, which is still the second level. Jia-A and Jia-B were named as C-league to represent the professional stage. They are operated and developed by China Football Industry Development Corp. (CFIDC), which is a state-owned enterprise directly under the control of the China Football Association (CFA). It is the largest company in China, specializing in the development of the football market and the exclusive agency authorized by CFA in the exploitation of various football commercial operations and business development.



Figure 3.1 The identification of the CSL (CFA)

After the end of the 2003 season (It is worth to notice that a season of the CSL will finish within a year, such as in season 2017. In Europe, a season will cross one year, such as season 2017/2018. However, there are sometimes people will describe the season 2017/2018 of the CSL, which is equivalent to the season 2017), the Chinese Football Association Super League is established, commonly known as Chinese Super League or CSL, operating under the auspices of the Chinese Football Association (CFA), is the highest tier of professional football in China. The Chinese Super League was created by the rebranding of the former top division Chinese Football Association Jia-A League, however, in the same year, Jia-B was rebranded as the Chinese Football Association China League, also known as China League One or Chinese Jia League, is the second tier of Chinese clubs. The Chinese Super League is now running under the authorization of the Chinese Football Association, the Chinese Football Association Super League Co., LTD (The CSL Company), which is currently the commercial

branch of the League, is a corporation in which the CFA and all the member clubs act as shareholders.

3.2 The development of Chinese football industry

The development of the Chinese football industry is inseparable from the development of the professional league and the performance of the national team.

3.2.1 The initial stage and developing process of Chinese football industry

The Chinese football industry began with the football reform in 1992. In 1992, the first ten-year plan for Chinese football - "10 Years of Development Planning of Chinese Football (1993-2002)" clearly stated that "the overall strength of the national team is in the forefront of Asia, the men's football team in the top sixteen of the World Cup and the top 8 of the Olympic Games" as the fundamental goal. In the subsequent "China Football Activity Reform Overall Plan (92)", its main content and ideas are to develop the Chinese football through the two essential aspects of the "substantializing the football association" and "club system", where the latter is the implementation of the football club system, and the launch of the Jia-A League as we analyzed before. In the following two years, Chinese football has gradually begun to the industrialization, and established the basic framework of the football industry, which includes the establishment of many professional and amateur clubs, and began to form a market for paid television rights, football supplies market and intangible assets development market. After the establishment of the professional league, benefit from the continuous promotion of China's economic development and political environment optimization, that is, the formation of the market economic system provides opportunities for the

development of the Chinese football industry. As a result, its distribution, layout, and structure of the football industry are slowly maturing, and the Chinese football industry began to improve gradually. In 2006, the establishment of the CSL Company was a milestone in the professional reform of Chinese football, marked the beginning of a new stage in the marketization of the Chinese football industry. Its establishment integrated the overall advantages of the professional football league resources, exploited the scale operation of the Chinese Super League industry, and created a business brand of the CSL.

In 2015, State Council published the The Overall Chinese Football Reform and Development Programme, with the overall requirements and main objectives as the general direction, through the redesign of management institutions, the construction of professional clubs, consummate the match system, campus football, social football, youth development, the construction of national team, the management of football pitch development, perfect investment mechanism, and the specific deployment of various aspects of the football territory as well, it pointed out the direction for the future development of Chinese football. In the wake of the country increases its investment in the football industry, the Chinese football industry has embarked on a stage of rapid development. After the documents released, in 2017, Chinese football finally took the vital step of “separation of management and running”, that is, the Football management center of the State Sports General Administration was officially cancelled in January 2017, which means The Chinese Football Association has been decoupled from the General Administration of Sport of China and has become an independent corporation

aggregate. Among them, "separation of management and running" is the top priority of football reform, in order to change the organizational structure of the same institution bearing two names between the Chinese Football Association and Management Center of Football, in order to let the CFA have autonomy in internal institutions setting and so on.

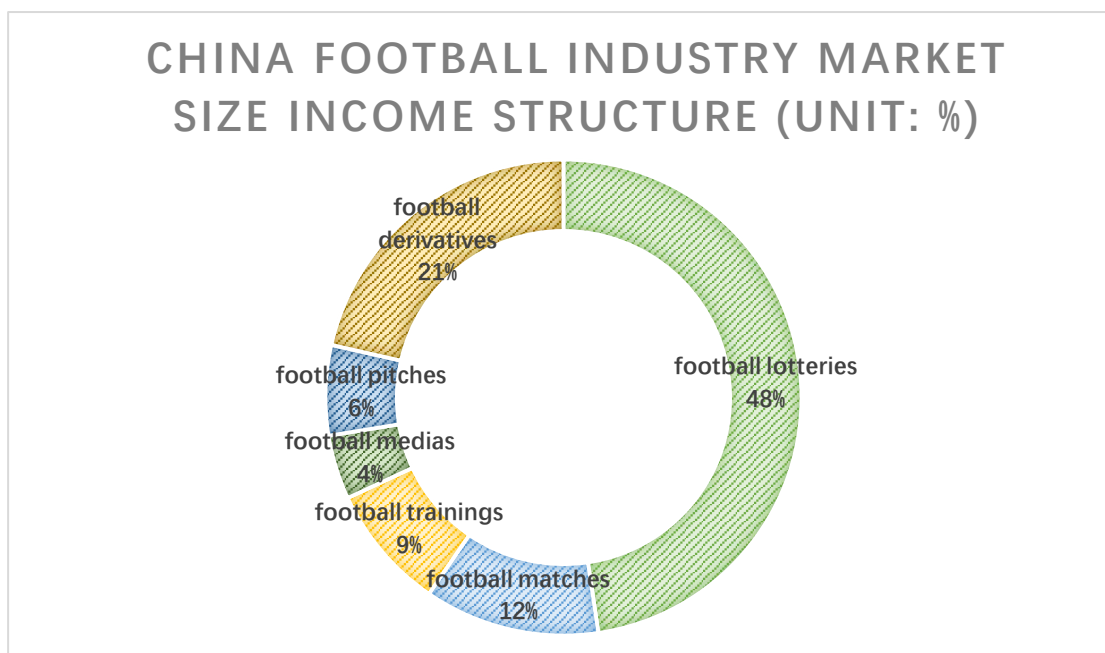


Figure 3.2 China football industry market size income structure in 2016(unit: %)

After more than 20 years of development, the Chinese football industry has begun to take shape, the level of competition at the league level has improved, and the development of commercialization has also progressed. According to data from the Figure 3.2, in 2016, the total size of the Chinese football industry has reached CNY 125.9 billion (around USD 18.95 billion) and based on the process of the football industry from the production, operation, and consumption, the Chinese football industry could be divided into six major markets: football matches, football training, football stadiums, football media, football lottery, football supplies/derivatives, etc.

Among them, it is worth introducing the football lottery. In China, the football lottery is different from the concept of gambling. The football lottery is issued by the state and has the following characteristics: public welfare, not for profit, the money return rate is only about 70%, and it has fixed gameplay. As for the market size, the size of the football lottery market reached 60 billion, accounting for the most massive 47.66%, followed by football supplies and football events, accounting for 21.45% and 11.91%, respectively.

Although the Chinese football industry itself has a certain degree of development, compared to the world's football powers, there is still a big gap. For example, for the development of football matches, its industry scale of about CNY 15 billion (around USD 2.26 billion) only accounts for 12% of the total size of the football industry, and the proportion of football media closely related to football matches is also small, only accounting for 4%, the result is not satisfactory.

3.2.2 The development of the football match market

In the commercial system of the Chinese Super League, the Chinese Football Association Super League Co., Ltd., is the owner of commercial interests, gets hold of the upstream resources of the league. Business partners mainly provide sponsorship for the league, the copyright operators in the midstream through the agency, distribution, and buyout, are responsible for the production of the match programs and copyright operation. The media in the downstream is the ultimate purchaser of copyright, operating watching channels for audiences through multiple media operations to achieve profitability.

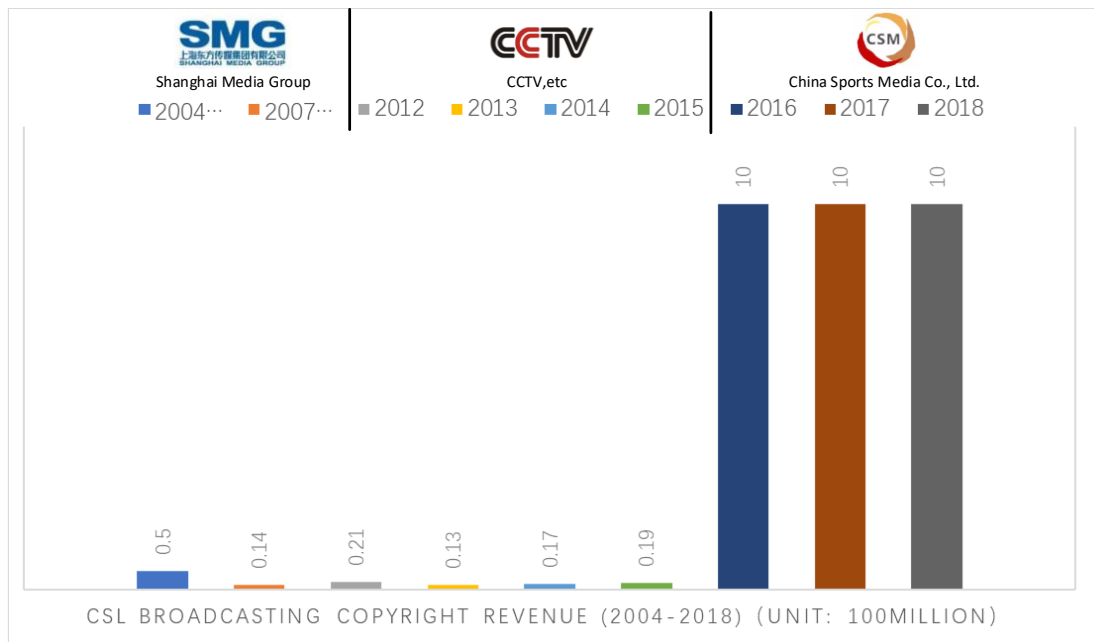


Figure 3.3 CSL broadcasting copyright revenue (2004 – 2018) (exclude copyright fees for licensed products and e-sport products) (CFA, Deloitte analysis)

The copyright competition from the middle reaches increased the copyright value of the Chinese Super League. In 2015, the China Sports Media Co., Ltd. (CSM) purchased the full media copyright of the Super League for five years and CNY 8 billion (around USD 1.28 billion). Afterward, LeSports signed with CSM a contract about exclusive broadcasting rights with CNY 2.7 billion (around USD 433 million) in two years, but after one year, LeSports gave up the rights due to the capital issues. However, in the following two seasons, Suning Commerce Group Co., Ltd. took the CNY 2.7 billion (around USD 433 million) to capture the exclusive new media broadcast rights. In 2018, the copyright value of the Chinese Super League to CNY 10 billion (around USD 1.51 billion) in 10 years.

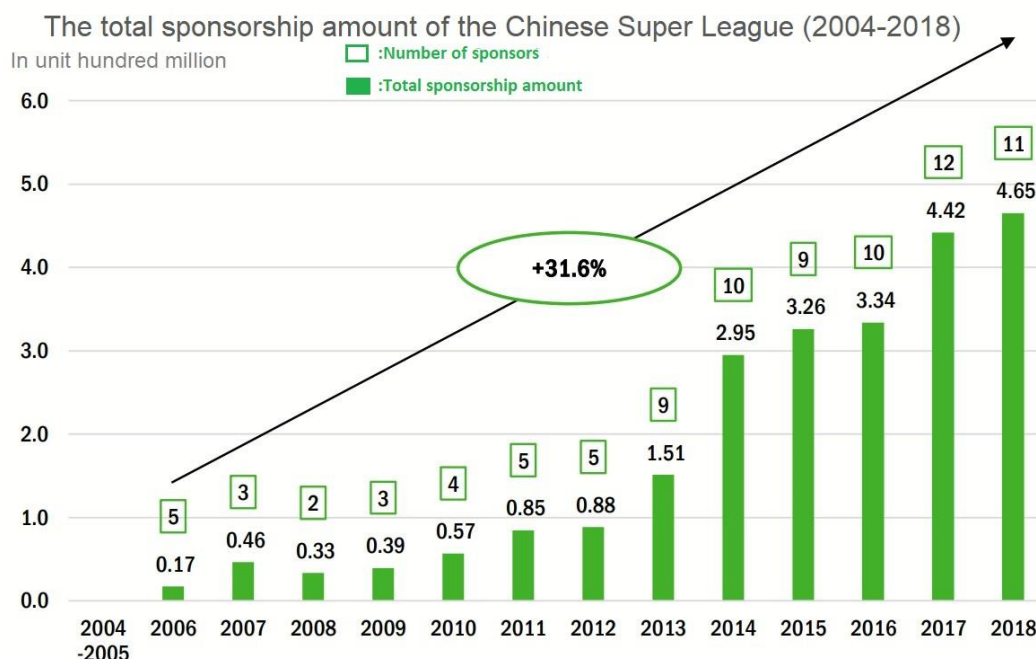


Figure 3.4 The total sponsorship amount of the Chinese Super League (2004-2018) (unit in billion yuan)

(CFA, Deloitte analysis)

The improvement of the quality of the Chinese Super League matches, economic level, and the increase in the number of fans in the league led to the development of the overall business value of the CSL.

In the last 15 years, the revenue from sponsorship of the CSL compound annual growth rate has more than 30%. In 2018, the total sponsorship amount reached CNY 465 million (around USD 70.27 million), and the number of sponsors reached 11 companies, including one title sponsor, six official partners, and four official suppliers. Compared with the 2016 season, SAIC Motor Corporation Limited, Tmall.com, and Laoshan Beer replaced Changan Ford Automobile Co., Ltd., JD.com, Inc., and Carlsberg A/S in the same field to become new partners of the league; Royal Dutch Shell PLC deepened cooperation with the CSL and upgraded from official supplier to official partners; however, Red Bull and Ledman Optoelectronic Co., Ltd. chose not to continue to

cooperate; in addition, Shenzhen Absen Optoelectronic Co., Ltd, Ganten, Eastroc Super Drink, and other three companies became the new official supplier of the league.

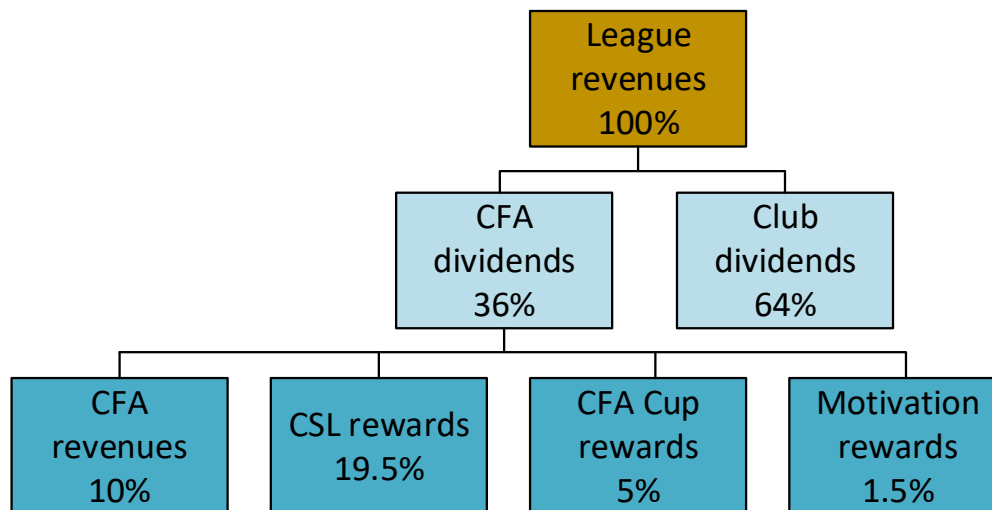


Figure 3.5 Chinese super league match operating revenue distribution structure

As shown in Figure 3.5, the revenue and expenditure system of the Super League can be divided into two parts: one is the revenue and expenditure of the operation of the league itself, second is the revenue and expenditure of the clubs within the league system. The revenue of the operations of the league itself is distributed to the Chinese Football Association and the club shareholders according to the shareholding structure of the CSL company. Among the matches operating revenue of the Chinese Super League, each one of the 16 club members will receive a 4% profit dividend, a total of 64%. As for the 36% of the Chinese Football Association's revenue, 10% will be used by the Football Association itself, and the remaining 26% is distributed to the clubs as bonus incentives. Among them, the reward mechanism for the CSL club is as follows: first place 5%, second place 4%, third place 3%, fourth place 2%, fifth place 1.8%, sixth place 1.5%, seventh place 1.2%, 8th place 1%, cumulative 19.5%. The reward

mechanism of the CFA Cup Club is as follows: 3% champion, 2% runner-up, 5% cumulative. The remaining 1.5% is used as a floating bonus to reward the club who wins AFC Champions League. If there is no club win the championship, the floating reward will be devoted to the Youth Development Fund.

In addition to the Chinese Super League, commercial development is also carried out in other tiers and other types of league matches.

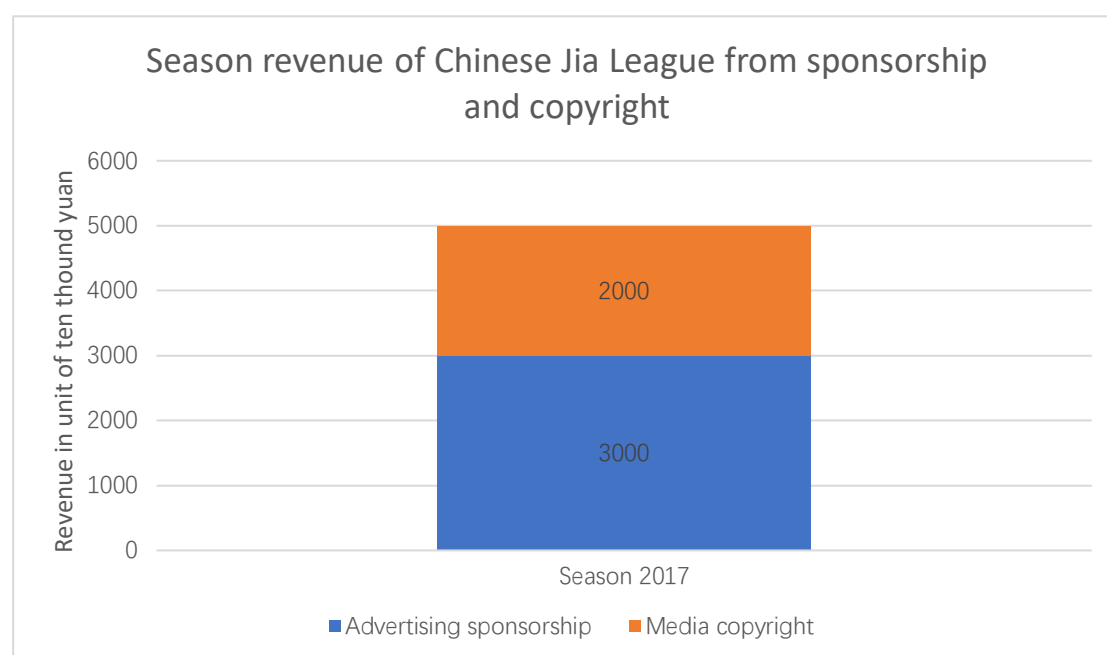


Figure 3.6 The revenue of Chinese Jia League from advertising sponsorship and media copyright in Season 2017

In the Chinese Jia League, its business development and operation are mainly handled by the marketing department of the Chinese Football Association. Compared with the Chinese Super League, its commercial development is relatively difficult, and there is a considerable gap with the top league. After not having the title sponsorship for 11 years, in 2015, 58.com Inc. officially announced that it had won the exclusive title rights of 5 years in the Chinese Jia League, it is understood that the sponsorship fee is CNY

30 million (around USD 4.82 million) per year. Regarding the broadcasting rights were purchased by Charm Communications Inc. in 2015, at CNY 100 million (around USD 16.06 million), and for five years. Therefore, the annual business development revenue of the Chinese Jia League is about CNY 50 million (around 8.03 million).

However, for the league with lower professional level, such as the China League Two, which is the third-tier league in China, the degree of commercialization is even lower. Like the Chinese Jia League, the China League Two has not yet established a particular operating company, and the Chinese Football Association was in charge of organizing matches. In the season 2016, the Chinese Football Association began bidding for the business development of the China League Two. In the 2017 season, Beijing Tongdao Weiye Sports Technology Co., Ltd. won the naming rights of China League Two for five years. It is also the first title obtained in the China League Two, where the naming contract worth CNY 30 million (around USD 4.54 million). According to reports, the fees provided by Tongwei Weiye to the China B League in the previous two years were the same, about CNY 5 million (around USD 0.76 million); from the third year, the annual increase was CNY 1 million (around USD 0.15 million), and the fifth year was about CNY 8 million. Besides, Tongdao Weiye also provides the rebroadcasting production service of the China League Two and obtained media copyright and provided data services for the China League Two. Kelme (China) Co., Ltd. became the supplier of equipment in the China League Two. According to reports, the naming right, media copyright, and data service cooperation in five years, and the equipment cooperation cycle is four years.

In addition to the above three levels of professional leagues, in the professional league system, there are Chinese Women's Super League (CWSL), Chinese Women's League One (Women's League One), CFA FUTSAL SUPER LEAGUE, Chinese Futsal League, but these matches are relative Immaturity, commercial exploitation needs to be improved. Among them, the broadcast rights of various matches and commercial rights of CWSL and Women's League One are currently packaged and sold. LeSports will receive the exclusive global media copyright of the Chinese Women's Football Super League in the next five years from 2015 and will make all the women's football rebroadcast signals. At the same time, LeSports also won the title sponsorship of CWSL, Women's League One, and the commercial development rights of CWSL in the next five years. However, LeSports eventually terminated the agreement due to funding issues. Regarding with futsal, it was held in the 2016 season. In November of the same year, the Futsal China won the CFA FUTSAL SUPER LEAGUE commercial rights for five years and 100 CNY million (around USD 15.06million). In 2017, Beijing Putaoshen Information Technology Co., Ltd. became a strategic partner of the CFA FUTSAL SUPER LEAGUE and sponsored the CFA FUTSAL SUPER LEAGUE. In 2018, Beijing Crazy Sports Industry Management Co., Ltd. became the official partner of the CFA FUTSAL SUPER LEAGUE official mobile game in the next three years.

3.3 How football industry affects the Chinese economy

Like the composition of the football industry in different parts of the world, even in China, which has a relatively lower level of the football industry, the football league has still been a major part in its the football industry that cannot be ignored. Therefore,

it is efficient and typical to treat football league as one of the cores to analyze the economic influence of the football industry on the economy.

1 GER/D1	43,302	27 ITA/D2	6,708
2 ENG/D1	36,675	28 NOR/D1	6,632
3 ESP/D1	27,381	29 AUT/D1	6,581
4 MEX/D1	25,582	30 GER/D3	6,427
5 ITA/D1	22,967	31 DEN/D1	6,391
6 CHN/D1	22,594	32 RSA/D1	6,345
7 FRA/D1	21,556	33 UKR/D1	6,257
8 USA/MLS	21,358	34 ECU/D1	5,996
9 NED/D1	19,154	35 THA/D1	5,180
10 GER/D2	18,814	36 CZE/D1	5,064
11 ENG/D2	18,526	37 ENG/D4	4,630
12 JPN/D1	18,227	38 GRE/D1	3,896
13 BRA/D1	17,402	39 PER/D1	3,741
14 SCO/D1	11,697	40 ROM/D1	3,510
15 RUS/D1	11,650	41 CRO/D1	2,852
16 BEL/D1	11,551	42 HUN/D1	2,733
17 POR/D1	11,000	43 SRB/D1	2,635
18 SUI/D1	10,705	44 FIN/D1	2,390
19 POL/D1	8,959	45 SVK/D1	2,170
20 SWE/D1	8,586	46 PAR/D1	2,115
21 ESP/D2	7,994	47 BUL/D1	2,019
22 IRN/D1	7,949	48 BLR/D1	1,806
23 ENG/D3	7,483	49 IRL/D1	1,727
24 KOR/D1	7,104	50 BIH/D1	1,582
25 FRA/D2	7,062	51 SVN/D1	1,212
26 JPN/D2	6,892	51 Leagues	11,355

Figure 3.7 Average attendances, per league (2013-2018) (CIES Football Observatory)

With the continuously increasing attention and development at the national level on Chinese football, the football league has become more and more eye-catching. Due to

the club increased their investment, inducing many top players continuous transferred to Chinese Super League. Therefore, the more competitive and excellent matches resulted in the number of viewers is constantly improving. Through the data from 2013 to 2018, we could observe that the average number of CSL attendances has ranked sixth in the world. Although only referring to the number of viewers does not accurately reflect the actual situation of a league, the higher number of attendances can indeed bring many benefits to the clubs, such as more ticket sales and sales of related football derivatives. Nevertheless, in vast territory China, there are only 16 football clubs in the top league, therefore, the audience is not only the audience of the city where the club is located, but the audiences from other places will also bring positive influence to the local tourism and service, and promote the development of the local economy. As feedback, the enthusiasm of the audience has brought a positive influence on the development of the league as well. As an example, through experiencing the Chinese football's anti-gambling storm in 2009, the Chinese football image was struck. However, the new image is gradually re-established. Only after two years, in 2011, the naming rights of the Chinese Super League worth CNY 160 million (around USD 25.34 million) in three years, this contract has nearly doubled compared to the previous sponsorship, and in 2018, Chinese insurance giant Ping An extended its title sponsorship of the Chinese Super League with the Chinese Football Association (CFA) announcing a five-year, CNY 1 billion (around USD 151.12 million) deal, so CSL is also known as the China Ping An Chinese Football Association Super League. It can be said that the prosperity of the football market has increased the confidence of

investors to invest to a certain extent, bringing more capital to the development of the league.

	Football player	Total	Salary&Bonus	Endorsements	Club	Nation
1	Lionel Messi	\$127M	\$92M	\$35M	FC Barcelona	Argentina
2	Cristiano Ronaldo	\$109M	\$65M	\$44M	Juventus	Portugal
3	Neymar Jr.	\$105M	\$75M	\$30M	Paris Saint-Germain	Brazil
4	Paul Pogba	\$33M	\$29M	\$4M	Manchester United	France
5	Andrés Iniesta	\$32.5M	\$30M	\$2.5M	Vissel Kobe	Spain
6	Alexis Sánchez	\$30.8M	\$28.3M	\$2.5M	Manchester United	Chile
7	Kylian Mbappé	\$30.6M	\$26.6M	\$4M	Paris Saint-Germain	France
8	Mesut Özil	\$30.2M	\$23.7M	\$6.5M	Arsenal	Germany
9	Oscar	\$29M	\$27M	\$2M	Shanghai SIPG	Brazil
10	Antoine Griezmann	\$27.7M	\$23.2M	\$4.5M	Atlético Madrid through May 2019	France
11	Gareth Bale	\$27.1M	\$20.6M	\$6.5M	Real Madrid	Wales
12	Mohamed Salah	\$25.1M	\$16.1M	\$9M	Liverpool	Egypt
13	Ángel Di María	\$23.7M	\$21.7M	\$2M	Paris Saint-Germain	Argentina
14	Luis Suárez	\$23.6M	\$20.1M	\$3.5M	FC Barcelona	Uruguay
15	Sergio Agüero	\$22.6M	\$17.1M	\$5.5M	Manchester City	Argentina
16	Thiago Silva	\$22.5M	\$21.5M	\$1M	Paris Saint-Germain	Brazil
17	James Rodríguez	\$22.1M	\$16.3M	\$4.5M	Bayern Munich through June 2019, on loan from Real Madrid	Colombia
18	Sergio Ramos	\$21.9M	\$19.9M	\$2M	Real Madrid	Spain
19	Graziano Pelle	\$21.7M	\$20.7M	\$1M	Shandong Luneng	Italy
20	Gerard Piqué	\$21.7M	\$17.7M	\$4M	Barcelona	Spain

Figure 3.8 The top 20 world's Highest-Paid Soccer Players, for the period June 1, 2018, to May 31, 2019

With the continuous improvement of the football development environment and the relative tilt of national policies, the Chinese football arms race officially start in 2011. Therefore, there were some of the big-name players close to the end of their careers continually joining into the Chinese Super League, such as Nicolas Anelka (2012, 10.6 million euros annual salary, 0 transfer fee), Didier Drogba (2012, 12 million euros annual salary, 0 transfer fee), Seydou Keita (2012, 5.6 million euros annual salary, 0 transfer fee), etc. At that time, the main feature of foreign athletes is that they are relatively well-known with zero transfer fees but a high annual salary.

The transfer fee record of football player transferred into CSL until 2016/2017 season							
Number	Player	Age	Season	Nationality	Left	Joined	Transfer fee
1	Oscar	25	16/17	Brazil	Chelsea FC	Shanghai SIPG	€60.00m
2	Hulk	29	16/18	Brazil	Zenit St. Petersburg	Shanghai SIPG	€55.80m
3	Alex Teixeria	26	15/16	Brazil	Shakhtar Donetsk	Jiangsu Suning	€50.00m
4	Jackson Martinez	29	15/16	Colombia	Atlético Madrid	Guangzhou Evergrande Taobao	€42.00m
5	Ramires	28	15/16	Brazil	Chelsea FC	Jiangsu Suning	€28.00m
6	Odion Ighalo	27	16/17	Nigeria	Watford FC	Changchun Yatai	€23.30m
7	Chengdong Zhang	27	16/17	China	Beijing Sinobo Guoan	Hebei China Fortune	€20.44m
8	Axel Witsel	27	16/17	Belgium	Zenit St. Petersburg	Tianjin Tianhai	€20.00m
9	Elkeson*	26	15/16	China	Guangzhou Evergrande Taobao	Shanghai SIPG	€18.50m
10	Alexandre Pato	27	16/17	Brazil	Villarreal CF	Tianjin Tianhai	€18.00m
10	Gervinho	28	15/16	Cote d'Ivoire	AS Roma	Hebei China Fortune	€18.00m

*Elkeson gained Chinese citizenship via naturalization in 2019, with the Chinese name Ai Kesen

Figure 3.9 The transfer fee record of football player transferred into CSL until 2016/2017 season (top 10)

With the continuous expansion of the influence of the Chinese Super League and the further influx of capital, the Chinese Super League begins to have the ability to compete with the top clubs in foreign countries. It results in more and more football players of the right age transferred into the CSL, meanwhile the CSL is inundated with high transfer fees and high annual salary, such as Paulinho (2015, 7 million euros annual salary, 15 million euros transfer fee), Ezequiel Iván Lavezzi (2016, 27 million euros annual salary, 5.5 million European transfer fee), Jackson Martínez (2016, 11 million euros annual salary, 42 million euros transfer fee), Hulk (2016, 20 million euros annual salary, 55.80 million euro transfer fee), etc.. In addition, the high salary gradually attracts like Alex Teixeira (2016, 10 million euros annual salary, 50 million euros transfer fee), Oscar (2017, 24 million euros annual salary, 60 million euros transfer fee) and other young players.

The record of Chinese U23 football player transfer fee and market value at time						
Player	Age	Market value at time	Season	Left	Joined	Transfer fee
Yuhao Zhao	23	€100K	16/17	Zhejiang Greentown	Hebei China Fortune	€17.80m
Yangyang Jin	23	€175K	15/16	Guangzhou R&F	Hebei China Fortune	€10.83m
Yuning Zhang*	20	€700K	17/18	Vitesse Arnhem	West Bromwich Albion	€7.20m
Haiqing Cao	23	€175K	16/17	Zhejiang Greentown	Jiangsu Suning	€6.87m
Elkeson	23	€3.00m	12/13	Botafogo Rio de Janeiro	Guangzhou Evergrande Taobao	€5.70m
Junshuai Liu	22	€50k	16/17	SC União Torreense	Shandong Luneng Taishan	€4.50m
Xin Xu	21	€175k	15/16	Atlético Madrid B	Guangzhou Evergrande Taobao	€4.30m
Pengfei Xie	22	€50k	17/18	Zhejiang Greentown	Jiangsu Suning	€4.07m
Jiajun Huang	21	€50k	15/16	Oriental Dragon	Jiangsu Suning	€4.00m
Pengfei Han	22	€25k	16/17	CD Mafra	Guangzhou Evergrande Taobao	€4.00m

*Yuning Zhang joined Beijing Sinobo Guoan in season 18/19, but without a clear transfer fee

Figure 3.10 The record of Chinese U23 football player transfer fee and market value at time (top 10)

Compared with the big-name foreign players who suffer high transfer fee and huge annual salary, the domestic players' transfer is slightly inferior, but once the transfer is formed, the transfer fee is often very amazing as well, such as Chengdong Zhang (2017, transfer fee £ 18.39m, market value at time of transfer is only £428k), especially the U23 policy (that is, in the absence of the requisition of national team match, in 2018,

the number of U23 players in a match is equivalent to the number of foreign players that appeared in that match; in 2019, there must be a U23 player who is always present in each game). Due to the lack of cultivation of youth players in most team, which made the domestic young players' prices rise, and their transfer fees were higher than their market value at time of transfer, such as Yuhao Zhao (2017, transfer fee £16.02m, market value at time of transfer is £90k), Yangyang Jin (2016, transfer fee £9.74m, market value at time of transfer is £158k). However, because of Chinese Football Association has set a "limit pay order" that will be implemented from the 2019 season, which will affect the world-famous players to the Chinese Super League to some extent. For the period June 1, 2018, to May 31, 2019, two players played in the Chinese Super League entered the top 20 world's Highest-Paid Soccer Players.

1.		Diego Simeone Atletico Madrid	41 M€
2.		José Mourinho ex-Manchester United	31 M€
3.		Thierry Henry ex-AS Monaco	25,5 M€
4.		Pep Guardiola Manchester City	24 M€
5.		Ernesto Valverde FC Barcelone	23 M€
6.		Arsène Wenger ex-Arsenal	20,5 M€
7.		Fabio Cannavaro Guangzhou Evergrande, Chine	15 M€
8.		Massimiliano Allegri Juventus Turin	13,5 M€
9.		Marcello Lippi Chine	13 M€
		Jürgen Klopp Liverpool	13 M€
		Jardim AS Monaco	13 M€
12.		Carlo Ancelotti Naples	12 M€
13.		Antonio Conte ex-Chelsea	11,3 M€
14.		Mauricio Pochettino Tottenham	10 M€
15.		Luciano Spalletti Inter Milan	8,3 M€
16.		Vitor Pereira Shanghai SIPG	7,5 M€
		Nico Kovac Bayern Munich	7,5 M€
		Zinedine Zidane Real Madrid	7,5 M€
19.		Unai Emery Arsenal	7 M€
		Dragan Stojkovic Guangzhou R&F	7 M€

Figure 3.11 The top 20 world football managers according to the wages they earn in their clubs and national teams until April 2019

In addition to being as the head coach of the national team, which is different with the identity of other listed coaches, the salary structure of the Lippi is also very interesting, its annual salary under the new contract equals 18 million euros, the Chinese Football Association and the Guangzhou Evergrande Club will assume it jointly.

Club Points										
Rank	Team	Total Points	Fifa Points	Fifa Points (0%)	Club Points	Club Points (100%)	2019	2018	2017	2016
1	CHINA PR	100	0	0.000	72.867	100.000	17.350	16.200	24.567	14.750
2	QATAR	97.644	0	0.000	71.150	97.644	15.900	19.850	13.400	22.000
3	JAPAN	93.321	0	0.000	68.000	93.321	21.800	13.850	21.850	10.500
4	SAUDI ARABIA	88.449	0	0.000	64.450	88.449	26.350	10.000	18.600	9.500
5	KOREA REPUBLIC	85.979	0	0.000	62.650	85.979	13.600	18.350	9.950	20.750
6	ISLAMIC REPUBLIC OF IRAN	81.724	0	0.000	59.550	81.724	11.500	18.850	16.200	13.000
7	UNITED ARAB EMIRATES	61.87	0	0.000	45.083	61.870	7.633	8.100	11.350	18.000
8	THAILAND	51.189	0	0.000	37.300	51.189	5.050	16.200	15.050	1.000
9	IRAQ	48.992	0	0.000	35.699	48.992	8.300	8.633	8.933	9.833
10	UZBEKISTAN	45.562	0	0.000	33.200	45.562	9.000	9.400	5.050	9.750

Figure 3.12 AFC Club competitions ranking in 2019

Although the joining of big-name players has increased the operational burden of the team and it has affected the salary structure of the team to some extent, it is not correct to look down upon the importance and value of the star players in a football team, even the football match is a cooperative activity which a team is composed by eleven starters and around nine to eleven bench players. There are many benefits for a football club to own star players, for a famous and high performed football club, the star players can behave as a magnet to bring other star players who have comparable or even better performance to join the same club. In turn, the team will full of competitiveness, and if there are good chemical reactions, the performance of the team will be better, and competition will be more splendid; they could have more chances to win the championship. As the figure 3.12 shown, benefitting from the import of big-name players, the football club from the CSL gradually have stronger competitiveness. In 2019, since the FIFA points are not accounting anymore and the better behavior in the AFC Champions League gradually, China becomes the first one in the AFC Club

competitions ranking. Also, the proportion of broadcasts of its club will increase; as a result, the parent team would attract more audiences, then get more revenues, especially for sponsorship. On another hand, for the football teams with relatively low-level and less fame, struggling for the opportunities of retaining at the highest tier league is their primary goal. Therefore, the star players may play a vital role in them against the relegation process, besides that, if the club faced the economic issues, to sell the star players may also be considered as a rational choice to help them overcome barriers.

COUNTRY	CONTINENT	TOP DIVISION	AVG BASIC ANNUAL FIRST TEAM PAY (£)	AVG BASIC ANNUAL FIRST TEAM PAY (€)	AVG BASIC ANNUAL FIRST TEAM PAY (\$)
ENGLAND	EUROPE	PREMIER LEAGUE	£2,990,726	€3,379,520	US\$3,935,197
SPAIN	EUROPE	LA LIGA	£2,201,057	€2,487,194	US\$2,896,151
ITALY	EUROPE	SERIE A	£1,519,885	€1,717,470	US\$1,999,865
GERMANY	EUROPE	BUNDESLIGA	£1,396,575	€1,578,130	US\$1,837,613
FRANCE	EUROPE	LIGUE 1	£989,776	€1,118,447	US\$1,302,347
CHINA	ASIA	SUPER LEAGUE	£799,212	€903,110	US\$1,051,603
RUSSIA	EUROPE	PREMIER LEAGUE	£666,569	€753,223	US\$877,071
TURKEY	EUROPE	SÜPER LIG	£656,675	€742,043	US\$864,053
BRAZIL	S AMERICA	BRASILEIRÃO	£509,758	€576,027	US\$670,740
CANADA	N AMERICA	MLS (3 OF 23 CLUBS)	£395,108	€446,472	US\$519,883
S.ARBABIA	ASIA	PRO LEAGUE	£386,026	€436,209	US\$507,933
BELGIUM	EUROPE	FIRST DIVISION A	£306,233	€346,043	US\$402,941
MEXICO	N AMERICA	LIGA MX	£305,948	€345,721	US\$402,566
ARGENTINA	S AMERICA	PRIMERA DIVISION	£288,079	€325,529	US\$379,054
PORTUGAL	EUROPE	PRIMEIRA LIGA	£271,728	€307,053	US\$357,540
USA	N AMERICA	MLS (20 OF 23 CLUBS)	£268,272	€303,147	US\$352,992
SWITZERLAND	EUROPE	SUPER LEAGUE	£246,253	€278,266	US\$324,020

Figure 3.13 The rankings of wage in different football leagues in 2018

With the increasing attention to football at the national level and the growing hope of investors for Chinese football, the Chinese Super League has gradually shown its ambition to become the "top sixth" league in the world after the "Top five" leagues. Although the level of competition remains to, however, in addition to the average attendance ranking described above in the world sixth, the Chinese Super League has also ranked sixth in the world in terms of rankings of wage.

RANK	TEAM	AVG ANNUAL PER PLAYER, £	AVG ANNUAL PER PLAYER, \$
1	Guangzhou Evergrande	£1,664,792	\$2,190,533
2	Shanghai SIPG	£1,658,968	\$2,182,870
3	Hebei China Fortune	£1,628,774	\$2,143,141
4	Jiangsu Suning	£1,057,333	\$1,391,239
5	Tianjin Quanjian	£945,630	\$1,244,259
6	Beijing Guoan	£918,667	\$1,208,782
7	Shangdong Luneng	£893,310	\$1,175,417
8	Shanghai Shenhua	£731,355	\$962,317
9	Changchun Yatai	£655,871	\$862,995
10	Dalian Yifang	£531,911	\$699,889
11	Tianjin Teda	£481,867	\$634,040
12	Guangzhou R&F	£431,097	\$567,237
13	Guizhou Hengfeng	£351,419	\$462,398
14	Henan Jianye	£328,774	\$432,601
15	Chongqing Lifan	£290,194	\$381,837
16	Beijing Renhe	£274,800	\$361,582

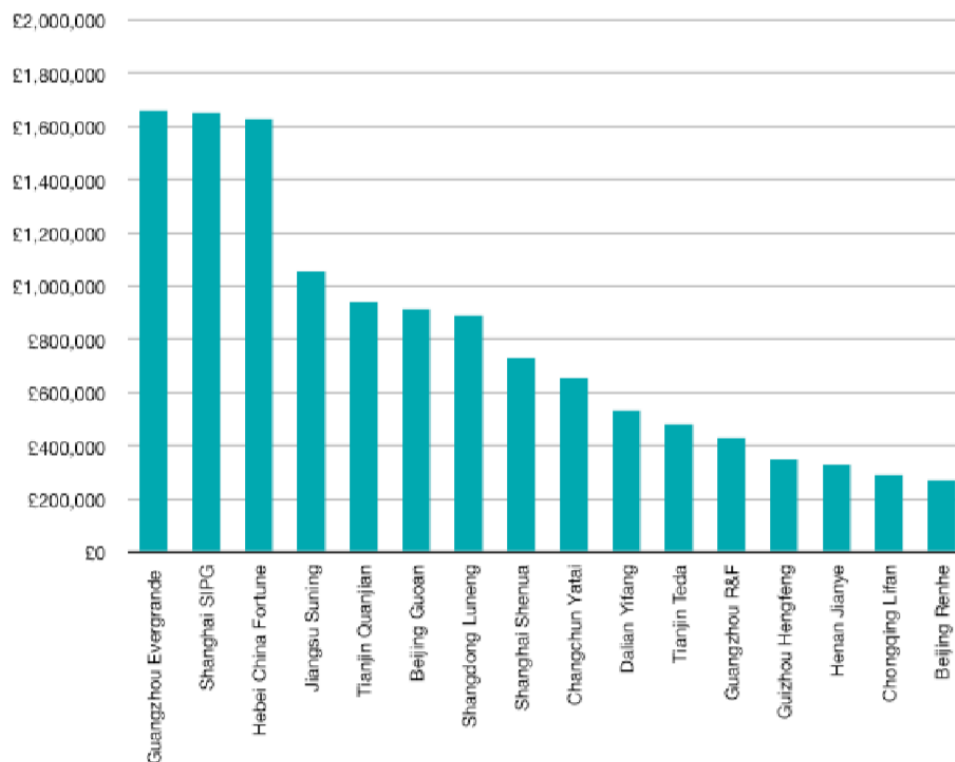


Figure 3.14 Average first team pay, CSL, 2018 season (CSSS 2018)

Focusing on the CSL itself can find that the gap between the average first team pay in the league teams is enormous, the difference between the highest-paid team (Guangzhou Evergrande) and the lowest-paid team (Beijing Renhe) has reached more than six times. Most of the top teams on the list have high-level foreign players from

the countries with more developed football and talented domestic players from different tier of national teams. The bottom teams have domestic players who are at the general level as well as the level of foreign players at a relatively ordinary level. Therefore, the imbalance in wage spending from top to bottom makes it virtually impossible for the lesser clubs to compete. It is hard to imagine that if there are not the restrictions of relevant policies (including the U23 policy, the prohibition of yin-yang contracts, the salary of football players cannot over 65% of total club pay in 2019 and decline 5% per year until 2021 and so on), how much the wage difference between clubs in the top leagues could be. For now, the CSL remains by far the most ‘top heavy’ league in pay terms with the top 10 percent of players (led by the big-name foreign players) earning more than 67 percent of all wages.

Chinese Super League 2018/19									
#	Team	Pl	W	D	L	F	A	GD	Pts
1	Shanghai SIPG	30	21	5	4	77	33	44	68
2	Guangzhou Evergrande	30	20	3	7	82	36	46	63
3	Shandong Luneng	30	17	7	6	57	39	18	58
4	Beijing Guoan	30	15	8	7	64	45	19	53
5	Jiangsu Suning FC	30	13	9	8	48	33	15	48
6	Hebei China Fortune FC	30	10	9	11	46	50	-4	39
7	Shanghai Shenhua	30	10	8	12	44	53	-9	38
8	Beijing Renhe	30	9	10	11	33	46	-13	37
9	Tianjin Quanjian	30	9	9	12	41	48	-7	36
10	Guangzhou R&F	30	10	6	14	49	61	-12	36
11	Dalian Yifang	30	10	5	15	37	57	-20	35
12	Henan Jianye	30	10	4	16	30	45	-15	34
13	Chongqing Lifan	30	8	8	14	40	46	-6	32
14	Tianjin Teda	30	8	8	14	41	54	-13	32
15	Changchun Yatai	30	8	8	14	45	56	-11	32
16	Guizhou Hengfeng Zhicheng	30	7	3	20	34	66	-32	24

Figure 3.15 The final rankings of the CSL in 2018/2019 Season (Sky Sports)

Chinese Super League 2019/20									
#	Team	Pl	W	D	L	F	A	GD	Pts
1	Guangzhou Evergrande	26	20	2	4	58	21	37	62
2	Shanghai SIPG	26	18	5	3	52	23	29	59
3	Beijing Guoan	26	19	1	6	48	21	27	58
4	Shandong Luneng	26	13	5	8	47	30	17	44
5	Jiangsu Suning FC	26	12	7	7	51	37	14	43
6	Wuhan Zall	26	10	7	9	33	34	-1	37
7	Chongqing Lifan	27	9	9	9	36	42	-6	36
8	Tianjin Teda	26	10	5	11	36	39	-3	35
9	Dalian Yifang	26	9	7	10	38	40	-2	34
10	Henan Jianye	26	9	6	11	33	40	-7	33
11	Shanghai Shenhua	27	8	6	13	41	49	-8	30
12	Guangzhou R&F	25	8	5	12	47	62	-15	29
13	Hebei China Fortune FC	26	7	5	14	29	47	-18	26
14	Tianjin Quanjian	26	3	12	11	32	46	-14	21
15	Shenzen	26	4	7	15	24	41	-17	19
16	Beijing Renhe	25	3	3	19	20	53	-33	12

Figure 3.16 The rankings of the CSL in 2019/2020 Season (remaining four rounds) (Sky Sports)

In general, large amounts of investments are always looking forward to getting more significant returns. So, if the money talked, then Evergrande would have won the title with Shanghai SIPG second and Hebei China Fortune third as Jiangsu Suning came

fourth. However, Evergrande came second with Shanghai top, Hebei China Fortune sixth, and Suning fifth. According to the rules of the CFA, after the end of a season, the last two ranked teams of the CSL will relegate to the Chinese Jia League, while top two ranked teams of the Chinese Jia League will promote to the CSL. Based on the rule, the money alone would have dictated that Beijing Renhe and Chongqing Lifan would be relegation, but after a season, they were at the eighth and thirteenth of sixteen teams. The fourth-lowest and eighth-lowest payers relegate to the second-tier league. They are Guizhou Hengfeng and Changchun Yatai, as we can see on the above table. Therefore, it is simply wrong to say that high investment will lead to high rankings. There are still many factors that need to be referenced, such as the economic level of local area, the run-in between the players, many uncertainties and so on, where the first shows the potentially supportive action by local area, the result of the second one implies if the money works, as for the third, it reflects the charm of football.

Further consideration of the impact of local economic factors, there is an interesting point, compared to the CSL ranking of the 2018/2019 season and the CSL ranking of the 2019/2020 season up to now, the top five teams are not change, they are Guangzhou Evergrande (Guangdong province, Guangzhou city), Shanghai SIPG (Shanghai), Beijing Guoan (Beijing), Shandong Luneng (Shandong province, Jinan city), Jiangsu Suning FC (Jiangsu province, Nanjing city). Coincidentally, according to the nominal GDP ranking of China's provinces in 2018, Guangdong, Jiangsu, Shandong ranked in the top three, and regarding with the statistics of China's cities nominal GDP list, the above five cities are all among the best, thereinto Shanghai, Beijing and Guangzhou are

ranked first, second and fourth (the third is Shenzhen just promoted to the Chinese Super League in the 2019 season). Honestly speaking, the economic development level of other top league clubs is all relatively good. It can be said that as a sporting event that requires much financial support, long-term rooted in a city with good economic conditions, and own a stable investor can help the team develop. In the meantime, the football team can also feedback to the city and bring benefits to investors (the counterexamples is Beijing Renhe, a club that often changes investors and home field). As mentioned before, the development of football has a positive effect on the local economy, even with a relatively low football level. Moreover, to promote the impact needs many works, in different fields.

Chapter 4: How to improve the role of the Chinese football industry in the economy

4.1 The drawback and strength of Chinese football industry compared with other countries

To analyze the advantages and weaknesses of the Chinese football industry, it should start from the internal to external. The former means starting from Chinese football itself and exploring the characteristics related to football according to China's situation. Then, from the national team level and the league level, find out the similarities and differences between Chinese football and football developed countries.

4.1.1 Top-down decision

In industrial design, A top-down approach aims at the breaking down of a system to gain insight into its compositional sub-systems in a reverse engineering fashion. It includes the following aspects, the first is the overall strategy, which means the setting of the final core target. Second is meticulous rational thinking, which aims to ensure feasibility. The third is the emphasis on execution, to ensure the connections and interactions between the various links. After the proposal of this concept, it quickly involved various fields. However, its application in the football field is still relatively new.

Since the reform and opening-up of China, there has been no stopping for the development of sports. Initially, China's goal is to become a major sports country, and the success of the 2018 Beijing Olympic Games marks the transformation of China's sports strategy from a major sports country to a world sports power. The realization of

the major sports country has benefited to some extent from the whole national system. However, its performance in the well professional and commercialized sporting events is not good. Among the different sports, the first one which needs to be mentioned is football, the earliest sports to undergo professional reform. At the Central Economic Work Conference 2011, the CPC Central Committee proposed a strengthened topdown for the reform; it has provided a path for the football reform at a crucial stage, the top-down of reform refers essentially to the overall coordination of reform. Moreover, the main body of "top-down" for Chinese football will not only within the scope of sports; namely, the top-down of football reform needs a higher main framework for universal guidance and coordination so that the effect can be maximized. A significant feature is a series of documents issued by the State Council, such as the Guidance on Accelerating the Development of Sports Industry, The Overall Chinese Football Reform and Development Programme, etc., it implies the main body of the top shall obviously be neither the Chinese Football Association nor the General Administration of Sport, and it shall be affiliated with the administrative department, that is at the State Council level. Therefore, for the top-down of Chinese football reform, it has its particularity. Its reform process must follow the national sports strategy and requires long-term planning. Moreover, as the football headquarters covers all aspects, coordination in various fields is particularly important. Thanks to jumping out of this sub-sector of the sports sector, top-down reforms will be more convincing.

China's special political system can give political guarantees for successful top-down reform of football. At the same time, the great economic achievements since the 30th

years of reform and opening-up can provide many experiences, as well as the preliminary results of the current cultural system reform can also provide it with reference, which is a special advantage of China. At the national level, the goal of China's football reform is more determined.



Figure 4.1 President Xi on the ball when it comes to sport

Speaking of the Chinese people's enthusiasm for football, the first fan who must be mentioned is the current Chinese President Xi Jinping. Before he even took office, President Xi made clear his love of the game. Explaining his ambitions for Chinese football: to qualify for the World Cup, to host the event and, finally, one day to win it. President Xi has more than once expressed that he is a football fan and likes football. "Everyone has ideals and pursuits and has their own dreams" (2012). Every Chinese football fan has a football dream, and the football dream is part of the Chinese dream.

This consistency of goals from a strategic level is undoubtedly a powerful help for football development.

A notable change is the Chinese capital's pursuit of large Intellectual Property (IP), such as the World Cup. Chinese companies have sponsored the World Cup from nonexistence to pass into existence. In 2018, the number of sponsors in the World Cup reached 7, and the sponsorship costs reached 5.4 CNY billion (around USD 816.03 million), accounting for 40% of the entire World Cup sponsorship fee. Besides, the acquisition of overseas football clubs is gradually being strictly restrained is also worthy of attention.

4.1.2 National team level

As mentioned before, Chinese football has had a brilliant moment in Asia at some time. However, the primary goal of Chinese football today is to regain good results in Asia. Therefore, it is more persuasive to compare countries in Asia. Among them, Japanese football is a good objective. Since China and Japan are similar in many aspects, such as cultural level, ethnic level, besides, Japanese football has achieved excellent results in Asia and the world. Therefore, it is more meaningful to compare the development of the Chinese and Japanese football industry.

There are similarities and differences between the two when comparing Chinese football and Japanese football. The appearance time of professionalism football is similar. China launched the Chinese Football Association Jia-A League in 1994, while Japan launched J-League in 1993, but Japanese football is more prepared for football professionalism, and better research. Under the legal framework, the Japan Football

Association implemented football professionalism reforms in an orderly manner. Its football policy, regulations, and professional league system are relatively perfect from the beginning of the league. Instead, Chinese football has a series of problems such as lack of perfect football laws and regulations, and professional clubs are short in standardization and normalization.



Figure 4.2 The National Leagues and National Competitions (JFA)

The second is about the training of young players. The CFA and the JFA have similarities in the organization of the competition, but because Chinese football lacks a long-term stable implementation plan, Chinese football, which relies on reserve teams and football schools, where the amount of latter is decreasing with the increasingly disappointed due to the performance of the national team and a series of negative news. Instead, Japanese football is based on on-campus football, a comprehensive school football system that is dominated by college leagues and covers middle and primary

school leagues that have taken shape. In Japan every year, hundreds of thousands of young soccer players from more than 20, 000 middle and primary schools choose to participate in all kinds of football games. Take Tokyo FC as an example; in 2018, the salary cost of first-team players in Tokyo FC in Japan, below 30% of the club's annual income. The football school under the club currently has 4200 players. The school is trained, and talented young players can enter the youth team and represent the club in the J3 league, its business model does not depend on the injection of capital and the purchase of big-name foreign players. Under these actions, the development of Japanese football players is greatly guaranteed, which can be seen from the number of overseas football players. In the 2019/2020 season, there are a total of eleven Japanese football players in the 'Top five' leagues, while only one Chinese football player.

The third difference is in the league management model. Chinese football league adopts a centralized management model, which is contrary to market rules. For the national team's competition, there have been a series of incredible measures, such as long-term training, cancellation of promotion and downgrade, and so on, and the victims are the league itself, as well as the Chinese football itself, which has also led to a series of corruption. Instead, the decentralized management model adopted by the Japanese league introduced the professional league in the market, and J. League separates the ownership from management, effectively preventing the dominance of any single one club after enterprises invest in the clubs and effectively curbing clubs' poor business Operations. There is a rule in the J-League that clubs that have deficits for two consecutive years will be relegated to their ranks, which promotes the commercial

development of the club and contributes to the healthy development of the league. Besides, in 2018, the J-League officially announced the cancellation of the quota for foreign player registration. There are five foreign players on each match, but players from Japan's football-promotion countries (Thailand, Myanmar, Vietnam, Cambodia, Singapore, Indonesia, Malaysia, Qatar) will not occupy foreign player quotas. Benefit from the supplementary explanation for this latter rule, the development of the J League has been brought much commercial space.

4.1.3 top league level

From the top league level point of view, to compare the CSL and the 'Top five' leagues is meaningful, so it is necessary to analyze the club owners of the CSL and the revenue and expense structure of the corresponding leagues.

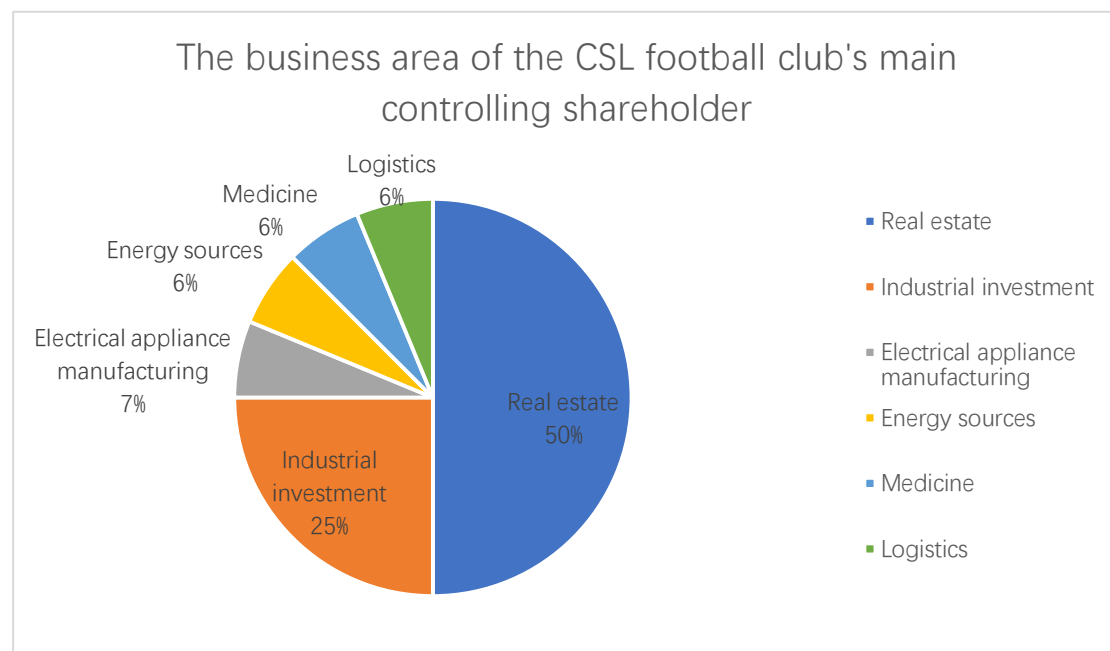


Figure 4.3 The business area of the CSL football club's main controlling shareholder (2018 season)

As an important part of the football industry, the football league is also the core of football commercialization. Comparing the similarities and differences between China

and football developed countries at the top league level, we can find the inadequacies of the Chinese Super League and Chinese football. In the 2018 season, there are 16 teams in the Super League, all of which are enterprise controlled. Mainly, the main business of holding companies involves industrial investment, real estate, energy, and other business areas, including large groups that span multiple fields. Among them, Guangzhou Evergrande Taobao, which landed in the National Equities Exchange and Quotations (NEEQ) in 2015, is currently the only listed football club in the CSL. However, as analyzed in chapter 2.1.2, in Europe, there are more than 20 listed clubs, although the number is still small, there are many big clubs like Manchester United FC and Juventus FC and others. What can be found is that most football clubs have a single financing channel, and most football clubs are supported by industrial capital. Among the major companies behind the CSL club, the real estate industry ranks first in 8 companies, while more than 12 companies, its companies involve the real estate industry, so some people call the CSL "real estate league." It is worth noting that the industry is too concentrated when the industrial cycle is down, the football club will also suffer.

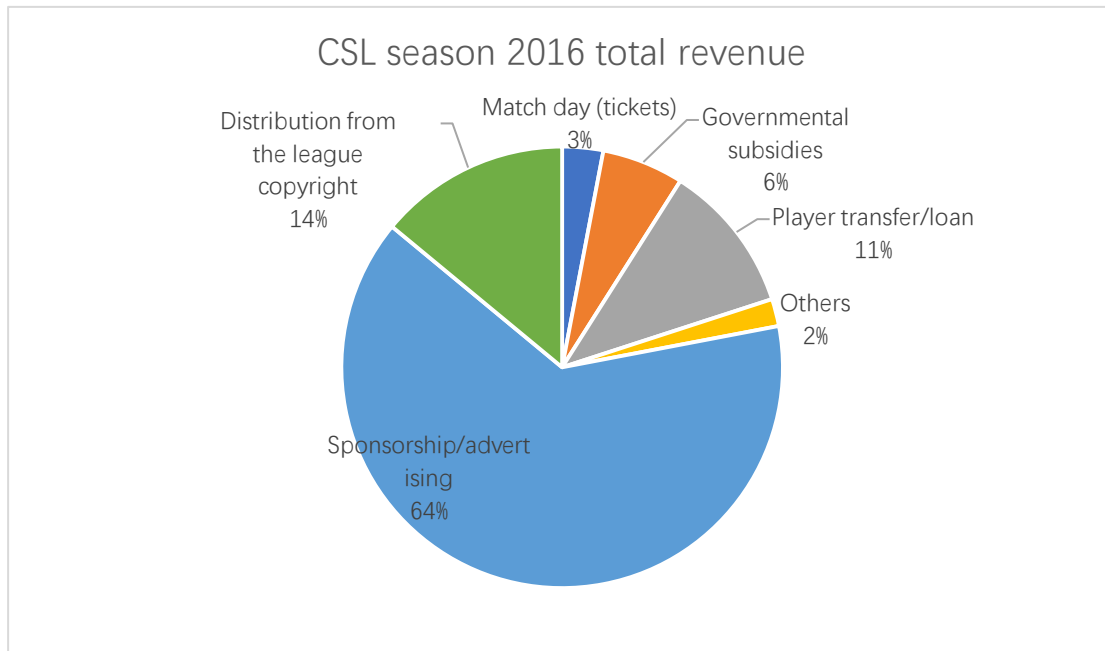


Figure 4.4 The CSL season 2016 total revenue

In 2017, the CFA announced the revenue and expenditure of the league for the first time. In season 2016, the total revenue of the CSL club reached CNY 7.082 billion (around USD 1.07 billion), with average revenue of CNY 443 million (around USD 66.69 million). In the revenue structure, sponsorship/advertising is still the largest source of income, accounting for 64% of total revenue. In the revenue structure of the 'Top five' league clubs in Europe in season 2016/2017, the sponsorship revenue generally only accounts around for 20% to 30%. And the source of the CSL club sponsorship fee comes from a related party of the holding party; therefore, commercial sponsorship income is not entirely accurate. In addition to advertising sponsorship, player transfer and match day are also important sources of revenue for the CSL clubs. Among them, the revenue of the matchday is a relatively stable source of income. The revenue of the clubs for match day in the 2016 season is between CNY 60 million (around USD 9.03 million) and CNY 70 million (around USD 10.54 million). The

difference between the highest and lowest is not large, but the average ratio only accounts for about 14% of club revenue. The most important source of revenue for the 'Top five' league clubs in Europe is the sharing of broadcast rights, which is around 30% to 60%. Besides, each club can receive considerable financial support from the government, with an average of more than CNY 25 million (around USD 3.76 million). It is worth noting that the average ticket revenue only accounts for 3% of the club's revenue. In contrast, the revenue of the 'Top five' league clubs in Europe can account for 10% to 20% of the club's revenue, and ticket sales are one of the most important parts in the matchday revenue. Therefore, the ticket sales of the CSL club still has considerable room for growth.

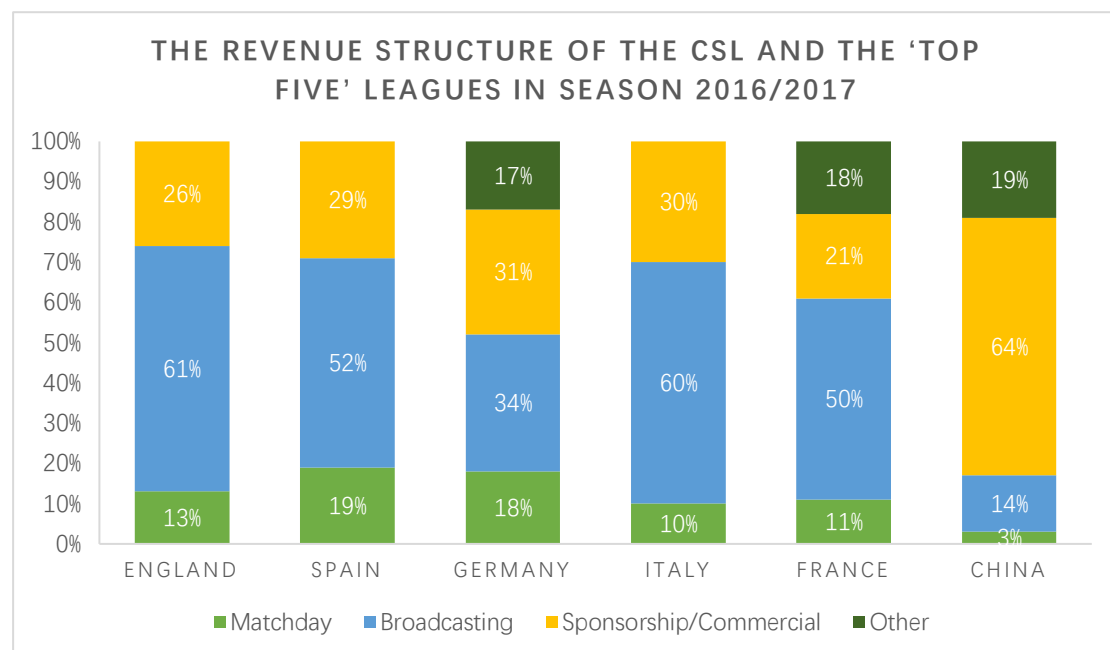


Figure 4.5 The revenue structure of the CSL and the 'Top five' leagues in season 2016/2017

However, as the league progresses further, in 2018, players in the CSL, earn an average salary of \$1,051,603, while the national average salary is \$6,567, where the football salaries are 160 times more than the average, it is the first in the world.

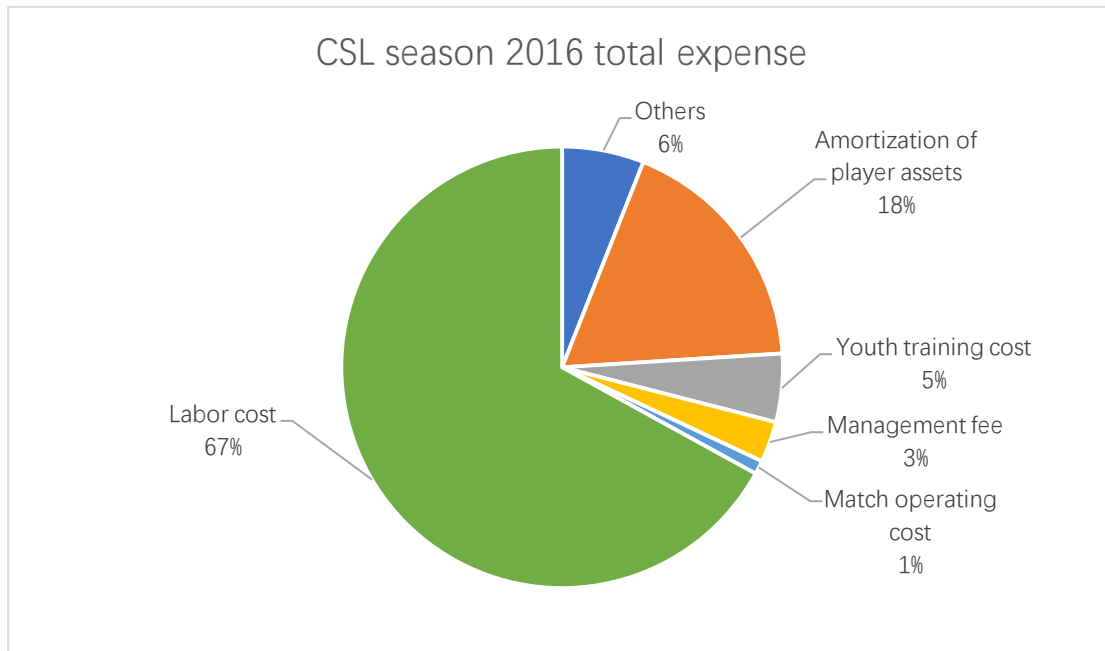


Figure 4.6 The CSL season 2016 total expense

In season 2016, the total expenditure of the CSL club was CNY 11.014 billion (around USD 1.66 billion), with an average expenditure of CNY 688 million (around USD 103.58 million). From the average point of view, the average loss of the Super League club in 2016 was CNY 246 million (around USD 37.03 million). In the expenditure structure, labor costs (including players, coaching team wages, and other kinds) are the most extensive parts, reaching 67%. Due to a large amount of investment in the short-term, the market competition is unbalanced, the player's worth is high, and the club's losses are serious, which has a negative impact on the market ecology of the league. Therefore, in 2017, the Chinese Football Association issued a restriction on the investment of clubs, with the aim of preventing the club from carrying out irrational investments such as “arms race,” promoting the club to maintain a healthier and balanced financial situation. According to statistics, the proportion of club salary in Europe's five major league clubs is generally 50% to 70%. If this is converted, the

current level of revenue of the CSL club is even insufficient to maintain staff salary expenses. It is worth noting that the youth training investment of the CSL club is low. According to statistics, in fact, the average youth club spending in the 2016 season accounted for only 4.6% of the club's total expenditure, and there is still a large distance from the 15% standard line, which is set by the CFA in 2017.

4.2 The future of Chinese football industry

4.2.1 Support at the national level

Regarding the future of Chinese football, it is necessary to mention the release of two documents. The first has been mentioned previously, that is The Overall Chinese Football Reform and Development Programme, which was published in 2015, referred to as Programme, and the second is The Mid- and Long-Term Development Plan for Chinese Soccer (2016-2050), which was published in 2016, referred to as Plan.

The importance of the Programme can be analyzed in five aspects. The first, it clarified the strategic significance of football from the national level. Then, it pointed out that comprehensive reform, involving all aspects of football, is part of the overall deepening reform of Chinese society. Thirdly, the reform of the system and the mechanism runs throughout. Fourth, it clarified the necessity and importance of football entering the campus, and the fifth is to implement the “three-step” strategy of the short, medium, and long term. More specifically, including the separation of the semi-administrative China Football Association from the General Administration of Sport of China, the Football Association will become a full-fledged nongovernmental organization, sports lottery will be used to increase investment to promote the development of the football

industry, and plans to expand the number of football pitches and such detailed requirements

Compared to the Programme, The Mid- and Long-Term Development Plan for Chinese Soccer (2016-2050), issued by The National Development and Reform Commission of the People's Republic of China (NDRC) in April 2016, has a more precise timetable and roadmap. There are many points worth noting: First, the Plan clarified the time of the three goals, namely the near-term goal (2016-2020), the medium-term goal (2021-2030), and the long-term goal (2031-2050). From the macro perspective to set up authoritative “road signs” and national-level development plans for Chinese football in the next 35 years. Second, development goals are further quantified. Short-term goals are mainly the development of campus football, social football, and the establishment of institutional mechanisms and policies and regulations. By 2020, the number of schools with a specialty in soccer will reach 20,000, and there will be over 30 million primary and middle school students who often play soccer. Mid-term goals require national men's team to stand out in Asia and women's team return to the leading powers in the world, with one football field per 10,000 people. Long-term goals require the goal of being the top-class soccer nation and all-round development of Chinese soccer. Third, solve the problem of the football pitches and facilities. The football pitch is the basics of football, so aimed to renovate, transform, and built 60,000 football pitches in the whole country so that every ten thousand people have 0.5-0.7 football pitches. Among them are 40,000 pitches for campus football and 20,000 pitches for social football, except a few mountain areas, every administrative area on the county level

Has to build at least two standard football pitches and so on. Fourth, cultivate excellent football business. Cultivate 2-3 football clubs that are first-class in Asia and world-famous. Develop the Chinese football brand. Expand the influence in the world. Promote and cultivate football clubs to meet the conditions in order to hit the market and promote the deep integration of internet technology with the football industry. Focus on the introduction of mobile internet, e-commerce, big data, and other new technologies and formats. Fifth, form coherent policies and ensure measures, including financial and fiscal policies, planning and land policies, tax and price policies, talent and employment policies, organize implementation, and monitor evaluation. The sixth is to build a healthy football culture. Develop a good football culture through a good atmosphere.

In 2019, the Chinese Football Association officially announced, the CSL will be managed by the Professional Leagues since next season, and the CFA will no longer be a shareholder. Professional leagues are composed of representatives from CSL clubs, and their leader will be elected. How the football league develops, and the leagues will decide rules. The CFA will play more roles as a supervisor and a server. It will no longer participate in the daily operations of CSL, which will be done by professional leagues independently. The CFA will only supervise major issues and has one veto on major issues. It will help solve the problems that were created by the CFA, both operating and supervising the league, which at times in the past provided a breeding ground for corruption and some counterproductive decisions, according to Tan Jianxiang, a sports sociology professor at South China Normal University.

It is foreseeable that such measures will provide greater autonomy and will help maintain club owners' enthusiasm for investing in the match. Also, the policy support from the national level will further strengthen the confidence of the masses in football and gradually achieve a benign development.

4.2.2 The potential of Chinese football

For the current situation and future development of football in a country, there is a vital indicator that is the football population. It means the number of people who perform two or more football activities per week, and the registered players, that joins the professional or amateur club, and the players register with the National Football Association and the Local Football Association, two data can be used as a reference.

There are two sources of data on the football population and registered players of Chinese football. According to FIFA 2007 statistics, China has a football population (all players) of 26,166,335 and 711,235 registered players, while the Chinese Football Association said that the CFA and any organization have never surveyed and counted the Chinese football population. However, regarding the registered player, according to the statistics of the 2011 CFA, there are only 8,000 registered players and less than 7,000 registered youth players. When comparing the data of the two parties, obviously that the number of registered players from the CFA is nearly 90 times less than the number from FIFA. Since the statistical rules of FIFA cannot be known, the data of the CFA is fed back through the questionnaires of the provincial and municipal sports bureaus, which is more convincing. Comparing China's 2011 population of 1,134,735,000, the data from the CFA confirms the lack of professional football players

in China. It indicates a critical factor in the unsuccessful Chinese football, that is lacking sufficient players to choose. However, this also confirms from the side that Chinese football has much room for development. Regarding youth training in Chinese football, it is worth mentioning that, because many Chinese football clubs seek quick success and instant benefits, most of them lack attention to youth training. However, there are still teams that focus on youth training from beginning to end, such as Shandong Luneng, Zhejiang Greentown F.C., and others. The former's big data system has begun to help national-level teams of all levels. Besides, Guangzhou Evergrande, which initially relied on big-name players, is also gradually developing youth training, such as cooperation with Real Madrid youth training.

According to a 2018 survey (below), where the age group of respondents is 18 years old and older, it can be concluded that only 3.63% of Chinese respondents indicated that they play football regularly, which is undoubtedly a small proportion. Besides, in developed countries such as the United States and Japan, the sports industry accounts for 3% and 2.5% of GDP, respectively. According to the calculation, the Chinese sports industry's share of GDP in 2020 can only reach 1%, so that the growth potential is enormous. At the same time, the domestic football event market sponsorship reached CNY 1.84 billion (around USD 278.4 million) in 2017, and in 2020 will reach CNY 2.27 billion, surpassing the sum of other sports industries in China.

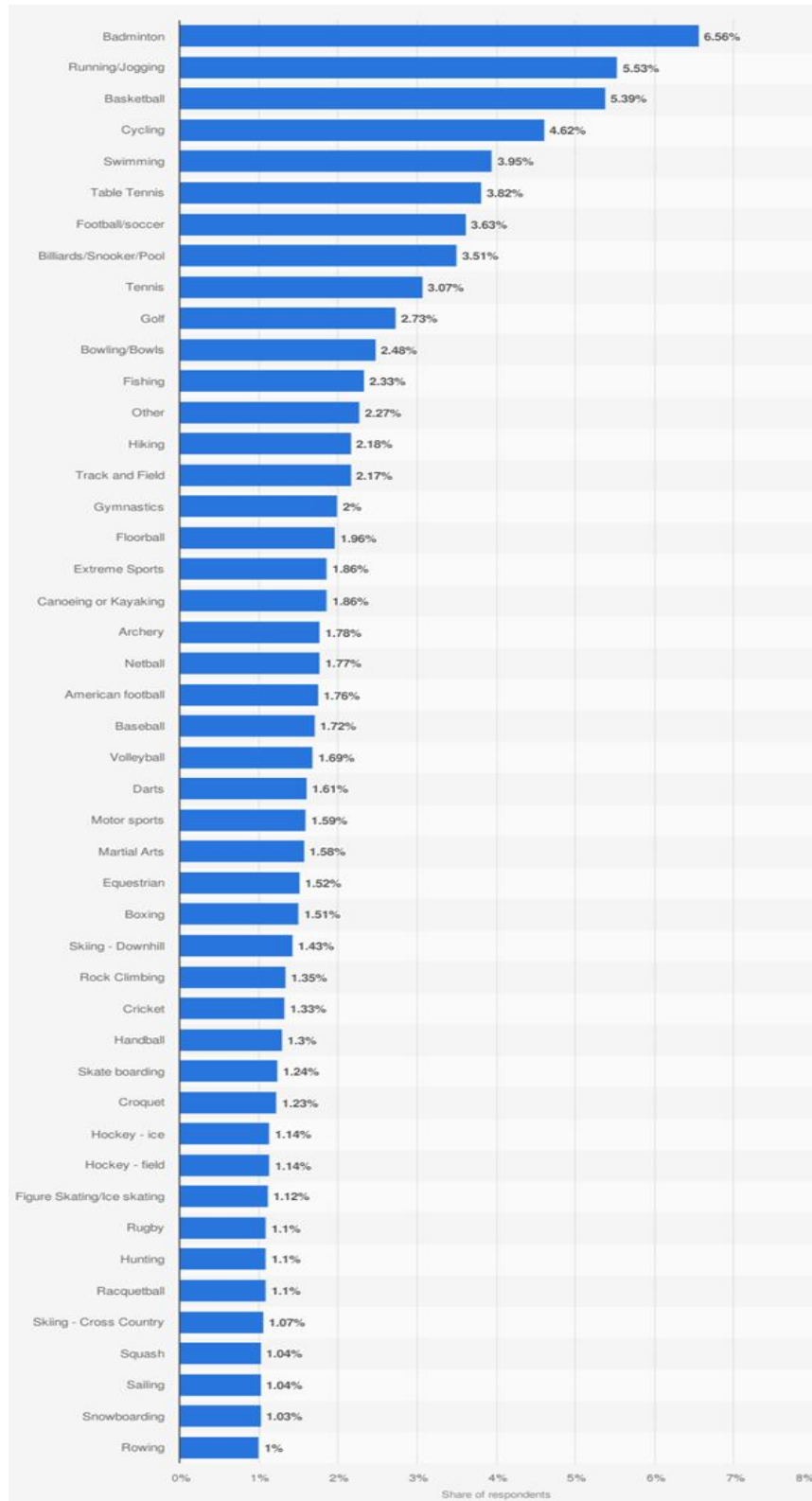


Figure 4.7 China: What sports do you regularly participate in? (Statista)

Chapter 5: Conclusion

From the birth of modern football to the gradual formation of the football industry and commercialization, football is not only a pure sport or game anymore, but itself also has value, and after industrialization can create value. With today's society and economy development, the structure of the football industry is complete even more, and the exploitation is even more profound. The value of the football industry is further increasing, and the proportion in people's minds is growing. If the football economy can be used properly, it will undoubtedly have a positive impact on the economy of a country, as well as the value creation of a whole society.

However, for the football industry, China is still a newcomer. Even after more than a decade of repeated attempts, the football industry is still developing slowly in China, and there are many immature parts. For Chinese football industry market system, relevant policies and regulations are not enough; the football industry itself is lack of demand, which result in the football industry structure incomplete, lacking the player market, player training market, and player trading market and so on. There are many possible ways to solve the current condition, the most important is on the premise of respecting the law of football development, through developing youth training to cultivate football talents, furthermore, deepen football reform to promote the professionalism level of Chinese football. Although under such adverse conditions, the football industry still has its unique effect on China in different aspects.

Today, with the rapid development of China's economy, falling behind in football has gradually become a tough part of the Chinese, but the attention of all walks of life has

made football development full of hope. Therefore, under the aids of development with Chinese characteristics, Chinese football industry still could have much room for improvement, and its development potential needs to be explored, and with time goes by, the Chinese football industry will inevitably play a more critical and decisive role in the Chinese economy.

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