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The Football Industry in China



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Foreword

With a total population of 1.38 billion, China is estimated to have as many as 300 million football fans,[1] a large number of whom support European football clubs. This includes Chinese President Xi Jinping, who has encouraged the development of football in China in his time in office. Real Madrid CF has 127 million supporters in China, Manchester United FC has 107 million, Inter Milan and AC Milan both have 106 million, and FC Bayern Munich has 90 million.[2] To better serve their Chinese fans, European football clubs have built up both their online and offline presences in China.

Because of the growing Chinese economy, the increase in consumer purchasing power, pro-growth policies, and significant investment from both private and public sources, the Chinese market for football has become more attractive to European companies. This is reflected in the high prices paid by those in the Chinese market for broadcasting rights in China, for high-profile football players and managers, and for well-known European football clubs themselves.

This report provides an overview of China's football market and analyses the structure of Chinese football leagues (both professional and amateur), coaching and training, football schools, and the regulatory environment, with the latter covering China's football governing body, and the regulations it has issued.

There are opportunities and challenges in China's football industry; to illustrate them, this report will offer recommendations and highlight case studies within the sectors of football training, football retail, and brand licensing, through which EU SMEs will be able to better understand and access the growing Chinese football market.

[1] http://news.hexun.com/2015-08-19/178431492.html
[2] http://www.nielsen.com/eu/en.html, http://sports.sina.com.cn/china/other/2015-07-28/doc-ifxfhxmp9691438.shtml

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1. Market Overview

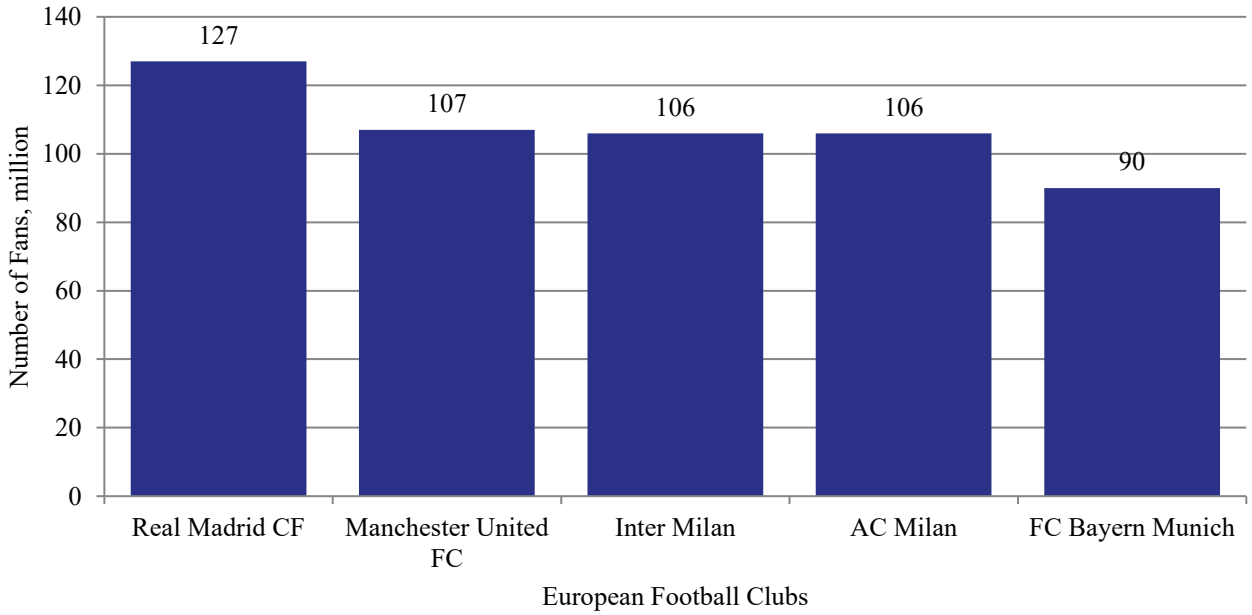
1.1. Market Size

European Football in China

There are 300 million football supporters among the 1.38 billion people in China, and many of these support European football clubs.[3] Indeed, the Chinese president, Xi Jinping, is one such admirer of the beautiful game and has promoted football in China during his time in office.

To give an example of the reach of European football in China, Chart 1 shows the number of fans selected major European teams attract: Real Madrid CF has 127 million, Manchester United FC has 107 million, Inter Milan and AC Milan both have 106 million, and FC Bayern Munich has 90 million.[4]

Chart 1: Number of Fans of Five Large European Football Clubs in China, millions[5]

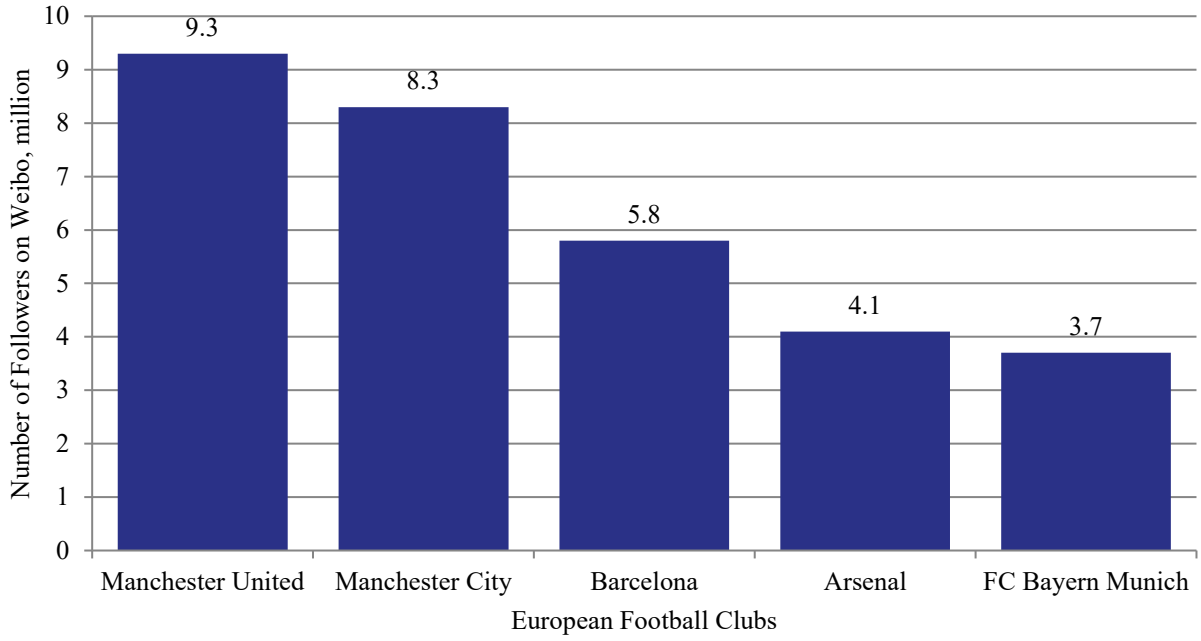


European football clubs have built up both their online and offline presences in China; for example, FC Bayern Munich set up an office in Shanghai in March 2017,[6] and before that in 2016 signed an agreement to establish a football school with the Sino-German Ecopark (中德生态园) in Qingdao (Shandong Province).[7] To develop their online presence, European football clubs have established accounts with several popular Chinese social media platforms, including with Weibo (微博) and WeChat (微信), two of China's largest such platforms. As can be seen in Chart 2, the five European football clubs with the highest number of followers on Weibo are Manchester United FC with 9.3 million followers, Manchester City FC (8.3 million), FC Barcelona (5.8 million), Arsenal FC (4.7 million), and FC Bayern Munich (3.7 million).[8]

[3] http://www.sohu.com/a/231791284_114778
[4] http://www.nielsen.com/eu/en.html, http://sports.sina.com.cn/china/other/2015-07-28/doc-ifxfhxmp9691438.shtml
[5] http://www.nielsen.com/eu/en.html
http://sports.sina.com.cn/china/other/2015-07-28/doc-ifxfhxmp9691438.shtml
[6] http://sports.sina.com.cn/global/germany/2017-03-26/doc-ifycsukm3509523.shtml
[7] http://sports.huanqiu.com/gdsports/2017-03/10368331.html
[8] Data collected on Weibo on 28th February 2018

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Chart 2: European Football Clubs with the Largest Number of Followers on Weibo, million[9]



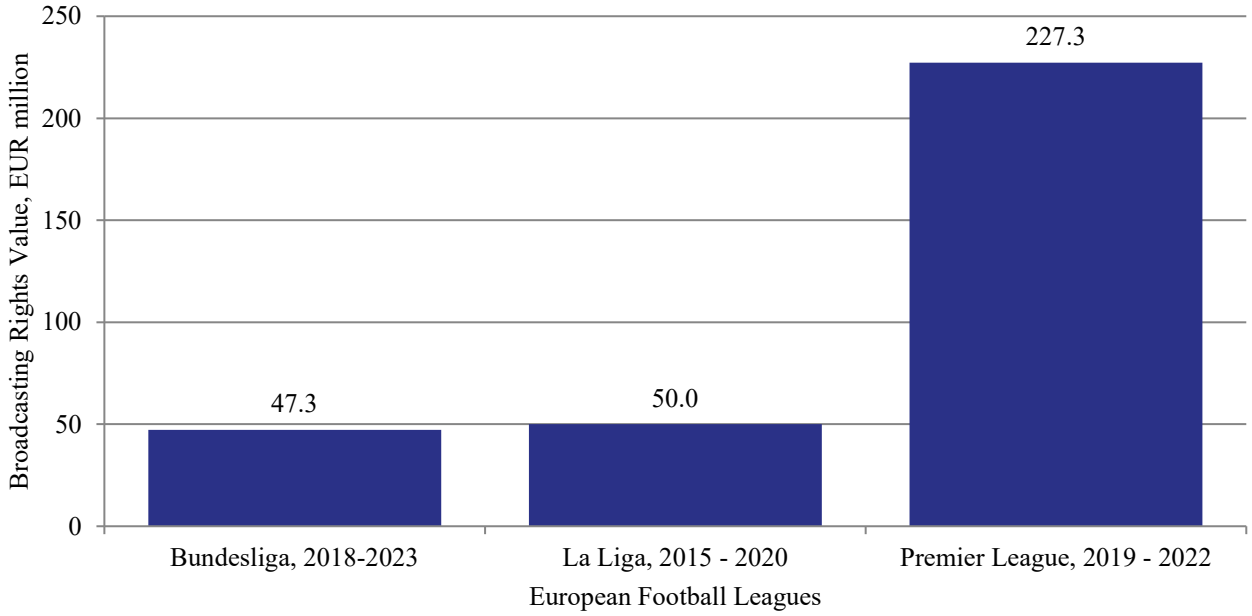
At the start of the 1990s, Italy's Serie A became the first non-Chinese football league to be broadcast live in China. It was carried by China Central Television (中国中央电视台, "CCTV"), China's national broadcaster, and helped to create a fan base for European club football in China that continues to this day.[10] Following the success of Serie A, England's Premier League, Germany's Bundesliga, and Spain's La Liga subsequently entered China, and have all achieved positive results.

The growing popularity of European football within its borders has led China to spend large sums of money in acquiring the broadcasting rights of various European leagues. Of particular note is Suning Holdings Group (苏宁控股, "Suning"), one of China's largest online and offline electrical appliance retailers, which acquired the rights to broadcast the 2015-2020 seasons of La Liga for EUR 250 million (RMB 1.9 billion),[11] the 2019-2022 seasons of the Premier League for EUR 681.8 million (RMB 5.0 billion), and the 2018-2023 seasons of the Bundesliga for EUR 236.4 million (RMB 1.7 billion).[12]

[9] http://www.lanxiongsports.com/?c=posts&a=view&id=3839
[10] http://sports.163.com/12/0625/08/84R4UOS6000502OI_4.html
[11] All values in this report are converted at a rate of EUR 1 = RMB 7.4, https://finance.yahoo.com/currency-converter/
[12] http://money.163.com/17/0403/21/CH4M05K80025814S.html

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Chart 3: Value of Broadcasting Rights in China for European Football Leagues per Season, EUR million[13]



As Chart 3 shows, the Premier League has the highest annual value among the three leagues: its broadcasting rights are worth the equivalent of EUR 227 million (RMB 1.7 billion) per season, while La Liga and the Bundesliga are worth EUR 50 million (RMB 360 million) and EUR 47 million (RMB 350 million) per season respectively. Before Suning acquired the Premier League broadcasting rights at the end of 2016, it was held by the Chinese sports company Super Sports (新英体育),[14] which only paid EUR 22.7 million (RMB 168 million) annually for the 2013-2019 seasons.

China Super League

The China Football Association (中国足球协会, "CFA"), established in 1955, is the legal governing body for football in China. It is a member of the Asian Football Confederation and FIFA. The CFA's functions include managing football's development, building football clubs, drawing up competition systems and relevant regulations, training coaches and referees, and developing international cooperation.

The CFA is the main shareholder of China Ping An Chinese Football Association Super League (中国平安中国足球协会超级联赛, "CSL"), which runs the highest-tier professional games in China. The CFA owns 36% of the total shares of the CSL, with the remaining shares being divided equally between the 16 football clubs in the CSL. The CFA has the power of veto on important issues, such as changing the company charter of the CSL.[15]

The CSL is China's premier professional football league, attracting 5.7 million spectators in its stadiums and a total cumulative audience of 368 million on TV in 2017.[16]

The CSL's broadcasting rights revenue has risen significantly in recent years, as is shown in Chart 4. Revenue was only EUR 9.9 million (RMB 73 million) in 2015 then rose to EUR 136.1 million (RMB 1.0 billion) in 2016 when Ti'ao Dongli (体奥动力), a sports company, began its five-year broadcast contract worth a total of EUR

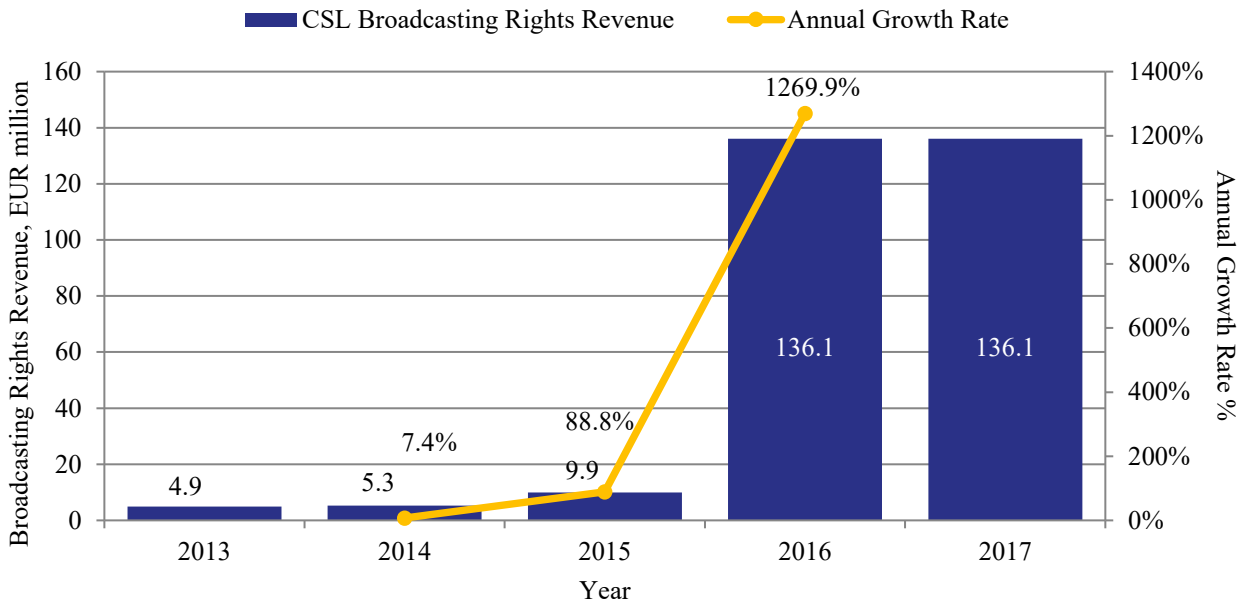
[13] https://finance.qq.com/a/20161118/031038.htm
[14] http://www.ssports.com/app/index.html
[15] http://sports.sina.com.cn/j/2014-12-23/15327458155.shtml
[16] http://www.sohu.com/a/118574814_499982

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1.1 billion (RMB 8.1 billion).[17] Ti'ao Dongli won the bid unchallenged, with its offer twice as much as China Central Television's.

The 2015 season of the CSL opened in the wake of an ambitious reform plan approved by the Chinese government to raise the standard of Chinese football. To prepare for the season, big clubs of the CSL went on 'a shopping spree' to sign top players, mainly from South America. According to statistics from Transfermarkt[18], the CSL spent a record EUR 108 million (RMB 795 million) to buy players and coaches on the 2014/2015 transfer market.[19]

Chart 4: CSL Broadcasting Rights Revenue 2013-2017, EUR million, and Annual Growth Rate, %[20]

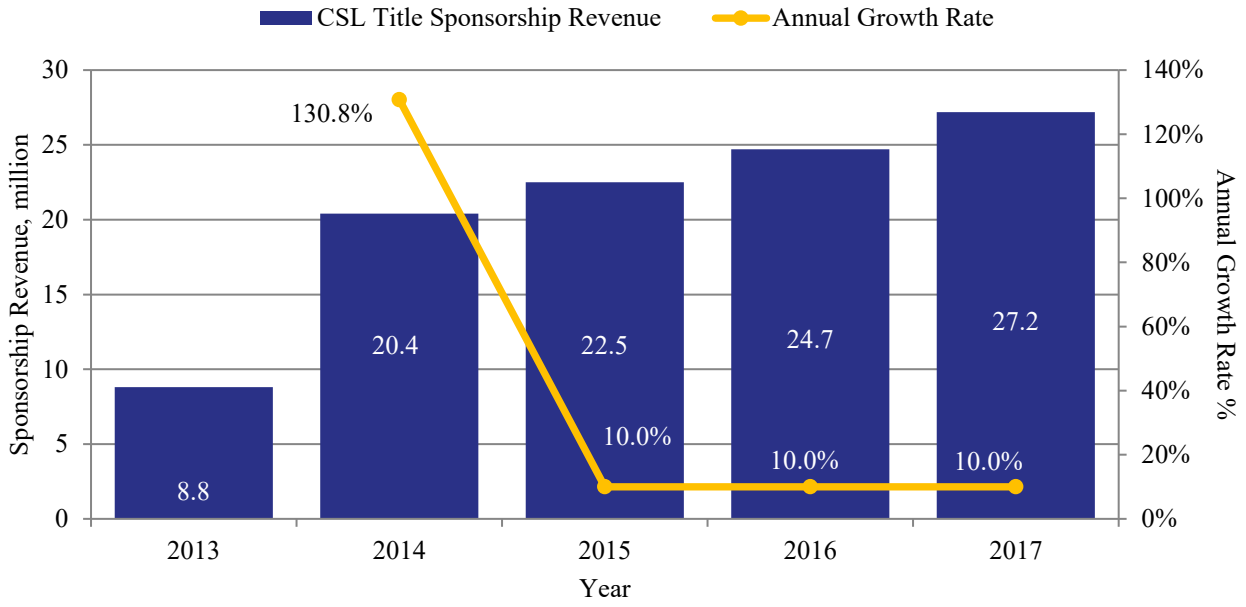


The sponsorship rights for the CSL in 2013 were won by Wanda Group (万达集团), one of China's largest commercial property developers, with sponsorship revenue in that year totalling EUR 8.8 million (RMB 65 million), as shown in Chart 5. In the following years, Ping An Insurance Group (中国平安), a large Chinese insurer, took over the league's sponsorship, paying EUR 20.4 million (RMB 150 million), EUR 22.5 million (RMB 165 million), EUR 24.7 million (RMB 182 million), and EUR 27.2 million (RMB 200 million) for the years 2014 to 2017 respectively.[21]

[17] http://www.sohu.com/a/118574814_499982
[18] https://www.transfermarkt.de/
[19] http://www.chinadaily.com.cn/sports/2015-10/28/content_22303384.htm
[20] http://www.sohu.com/a/118574814_499982
[21] http://www.sohu.com/a/118574814_499982

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Chart 5: CSL Sponsorship Revenue 2013-2017, EUR million, and Annual Growth Rate, %[22]



1.2. Market Growth Drivers

The football market in China is supported by the large number of football fans, whose purchasing power has been boosted by a growing economy. Despite the support they give their teams, these fans have often been disappointed by the poor performance of the national team on the international stage. Since President Xi came to power, China has enacted a series of policies to stimulate the development of football and as a result a lot of investment has gone into Chinese football in order to buy some of the best international players and improve the quality of the clubs themselves, therefore ultimately increasing the quality of professional football played in China.

1.2.1. A Growing Economy and Increasing Consumption

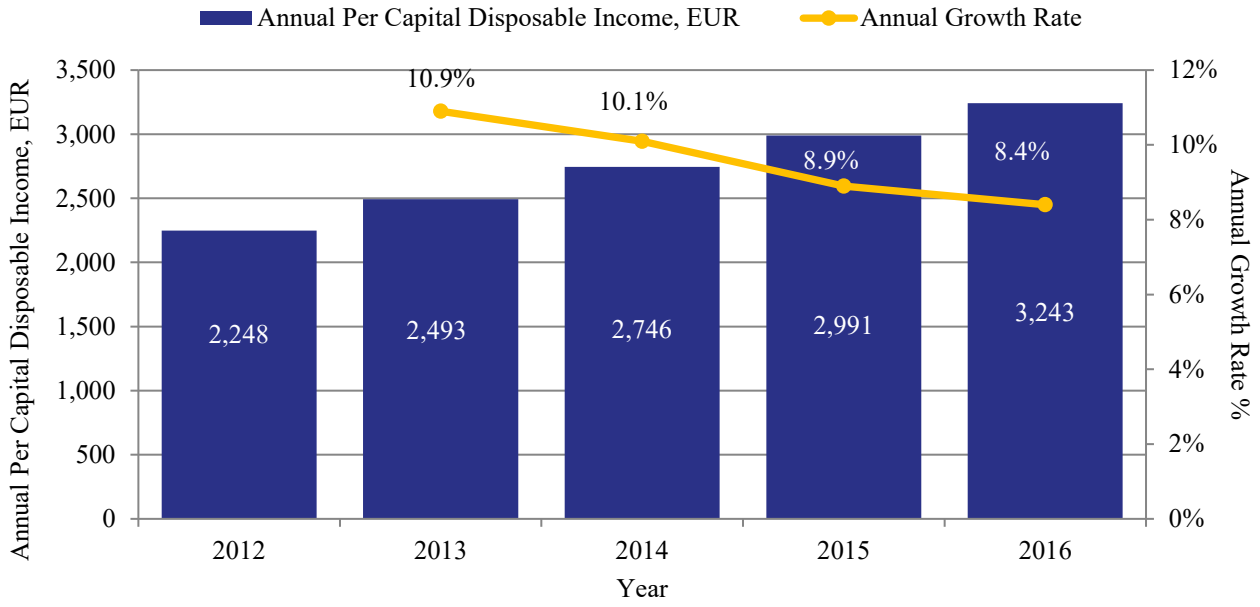
China's economy is now worth EUR 11.1 trillion (RMB 82.7 trillion), having grown quickly in the last four decades, and it is now the second largest in the world, behind that of the United States.[23]

With the expansion of the economy, the consumer purchasing power of Chinese people has grown. As Chart 6 shows, disposable income in China was EUR 3,486 (RMB 25,796) per capita in 2016, an increase of 8.9% on the previous year.[24] Chinese consumers can therefore spend more money on football, for example sending their children for training, watching games either online or live, and buying football-related apparel and licensed products.

[22] http://www.sohu.com/a/118574814_499982
[23] http://www.stats.gov.cn/tjsj/zxfb/201802/t20180228_1585631.html
[24] http://www.stats.gov.cn/tjsj/zxfb/201802/t20180228_1585631.html

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Chart 6: Annual Disposable Income Per Capita 2012-2016, EUR, and Annual Growth Rate in China, %[25]



China is currently entering a new economic phase commonly known as the "new normal" ("新常态"), in which it is moving towards a more sustainable approach to economic growth, as well as pursuing a higher level of efficiency and a lower-cost economy. Accordingly, China's target GDP growth rate is set to remain between 7% and 8% per annum for the foreseeable future, in contrast to the 10% of the previous decade.[26] Alongside this lower growth target, there is also a goal to reduce the income gap and the accompanying inequality between regions and between rural and urban areas. Services and consumption are expected to spearhead China's economic growth and development, as opposed to the investment and exports which drove the economy in the past. At the same time, particular attention will be paid to innovation as a key determinant of economic growth.

1.2.2. Changing Government Policy

The football played in China has not been of a high quality over the past two decades. This may seem unusual to some, given the size of the population and how successful the country has been in other sports, such as various Olympic events. As of February 2019, the Chinese men's national team ranked 72th in FIFA's rankings, making it only the eighth best team in Asia Pacific from the AFC ranking (Asian Football Confederation). Notably, it has only qualified for the World Cup once, in 2002.[27] Although frustrated by the national team's performance, the Chinese continue to support their team and want to see China become a footballing superpower. The government has therefore drawn up a list of policies to stimulate football's development in China, as detailed below.

Mid- to Long-Term Plan for Chinese Football (2016–2050) (关于印发中国足球中长期发展规划（2016-2050）年的通知）[28]

[25] http://www.stats.gov.cn/tjsj/zxfb/201702/t20170228_1467424.html
[26] http://news.hexun.com/2015-01-21/172577238.html
[27] http://sports.sina.com.cn/china/national/2018-04-12/doc-ifyzeyqc0821067.shtml
[28] http://www.thecfa.cn/zuqiugaige/20161101/10556.html

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On 6th April 2016, the Chinese government released its *Mid- to Long-Term Plan for Chinese Football (2016–2050),* which set out its key strategies for the development of China's football industry. Some of its strategies include:

- 2016–2020: Build 20,000 football schools in order to engage with more than 30 million children on a regular basis, and to encourage more than 50 million citizens to participate in football-related activities;
- 2021–2030: Ensure that there is at least one football venue per 10,000 people and that these venues are within a reachable distance of these people. By 2030, the Chinese men's team should be the best in Asia, the women's team should be the best in the world, and the CSL should be the best league in Asia;
- 2031–2050: Become the world's leading football country.

The Chinese Football Reform and Development Programme (国务院办公厅关于印发中国足球改革发展总体方案的通知)[29]

This programme was introduced by China's State Council (中央人民政府) on 8th March 2015. It prioritises the promotion of football in schools, universities, businesses, and institutions across China, and also highlights the pressing need for additional fiscal support for the country's football industry to be used to build football pitches, promote youth football, promote football in schools, and promote women's football. The programme strongly supports the development of new pitches and making the use of existing pitches and training facilities more efficient by asking professional groups and organisations to assist in managing and operating them.

Lastly, the programme demonstrates the high level of importance placed upon grassroots football in China and the development of young talent within this sector. At primary and middle schools, football has now become a compulsory part of the school curriculum.

Pilot Football Cities (试点城市)[30]

In December 2012, five Chinese cities were selected as pilot cities for the promotion of football development. These cities are Wuhan (Hubei Province), Chengdu (Sichuan Province), Dalian (Liaoning Province), Qingdao (Shandong Province), and Guangzhou (Guangdong Province).

The CFA has agreed to provide EUR 270,000 (RMB 2 million) per annum to each pilot city to cover the projected costs of implementing its football training system for youth players, local coaches, and managers. The CFA will also send a team of international football experts to the cities annually to guide the development of local football and to train coaches.

Each pilot city has been given permission to formulate its own scheme for football development in accordance with the development targets agreed with the CFA. Each city is required to develop a detailed organisational structure based on associations and memberships, as well as structured training systems for developing talent of all ages, and a flexible scouting system for selecting youth players with potential. As an example of this, Chengdu has put into place its 2015 Football Ten Action Plan (2015 足球十大行动计划),[31] which includes the development of more than 300 football pitches of different sizes (five-a-side, seven-a-side, and full-sized) to be built within three years of the proposal's implementation. It also includes the establishment of 4 major football academies and 12 high-level football teams to participate in competitions.

1.2.3. Investment in Chinese Clubs

Following the development of the economy and new government policies, companies, including some large Chinese conglomerates, have invested large amounts of money in football for the marketing, branding, and public relations value doing this can generate. Evergrande Group (恒大集团), a Chinese real estate developer

[29] http://www.gov.cn/zhengce/content/2015-03/16/content_9537.htm
[30] http://sports.sina.com.cn/c/2012-12-12/140563349l9.shtml
[31] http://www.scnanbu.gov.cn/a/d/12257.html

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with annual revenue that reached EUR 68.2 billion (RMB 500 billion) in 2017, [32] become the owner of Guangzhou Evergrande Taobao Football Club (广州恒大淘宝足球俱乐部, "Guangzhou Evergrande") in 2010, and is estimated to have invested at least EUR 405 million (RMB 3 billion) in the team from 2010 to 2015.[33] Guangzhou Evergrande has been one of the best performing CSL clubs, winning seven CSL championship titles and two Asian Football Confederation Champions League titles since the 2010-2011 season, and recruited world-class football mangers and players such as Marcello Lippi, Luiz Felipe Scolari, and José Paulo Bezerra Maciel Júnior, commonly known as Paulinho, who now plays for FC Barcelona.

The desire to have the best players has been growing in recent years, as shown by the rising record Chinese transfer fee for international players detailed in Table 1 and Chart 7. [34] The record has been repeatedly broken since 2013, going from EUR 6.2 million (RMB 46 million) in that year to EUR 61 million (RMB 451 million) in 2017.

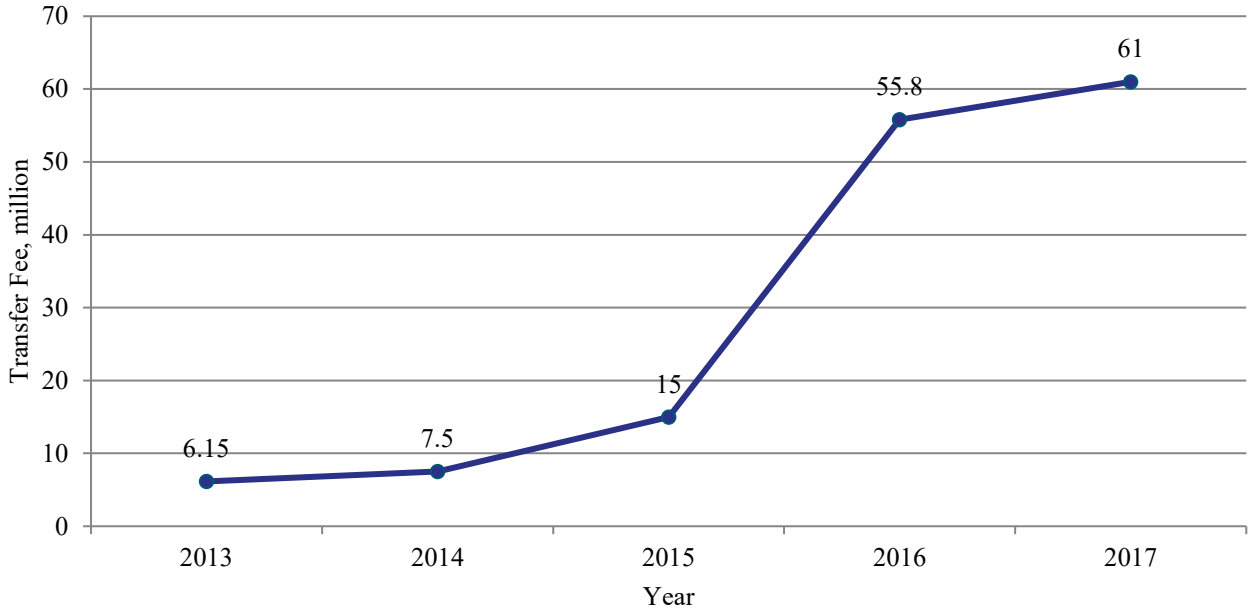
Table 1: International Player Transfer Fee Record in China 2013-2017, EUR million[35]

Year	Transfer Fee, EUR million	Player	Left	Joined
2013	6.2	Vágner Love	CSKA Moscow	Shandong Luneng FC (山东鲁能泰山足球俱乐部)
2014	7.5	Wálter Montillo	Santos FC	Shandong Luneng FC
2015	15.0	Ricardo Goulart	Cruzeiro Esporte Clube	Guangzhou Evergrande FC
2016	55.8	Hulk	Zenit St Petersburg	Shanghai SIPG (上海上港集团足球俱乐部)
2017	61.0	Oscar	Chelsea FC	Shanghai SIPG

[32] http://www.evergrande.com/news.aspx?tags=1&Newsid=207114
[33] http://finance.sina.com.cn/roll/2016-01-08/doc-ifxnkeru4780998.shtml
[34] https://baijiahao.baidu.com/s?id=1558509158453096&wfr=spider&for=pc
[35] https://baijiahao.baidu.com/s?id=1558509158453096&wfr=spider&for=pc

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Chart 7: International Player Transfer Fee Record in China 2013-2017, EUR million[36]



Chinese investors are not only interested in buying international players; they are also interested in buying international clubs. A selection of high-profile acquisitions is shown in Table 2.

[36] https://baijiahao.baidu.com/s?id=1558509158453096&wfr=spider&for=pc

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Table 2: Acquisition of Major European Football Clubs by Chinese Investors 2015-2017, EUR million[37][38]

Date	Country (League)	Acquired Football Club	Value, EUR million	Acquired Share	Chinese Buyer
January 2015	The Netherlands (Eredivisie)	ADO Den Haag	8.9	98%	United Vansen International Sports Company (北京合力万盛国际体育发展有限公司)
January 2015	Spain (La Liga)	Atletico Madrid	47.3	20%	Wanda Group[39] (万达集团)
May 2015	France (Ligue 2)	FC Sochaux	7.0	100%	TechPro (德普科技发展有限公司)
September 2015	Czech (Fortuna Liga)	Slavia Praha	N/A	60%	CEFC China Energy Company (中国华信能源)
December 2015	UK (English Premier League)	Manchester City FC	378.3	13%	China Media Capital (华人文化产业投资基金)
May 2016	UK (English Premier League)	Aston Villa FC	95.5	99%	Recon Group (联合睿康)
June 2016	Italy (Serie A)	Inter Milan FC	290.3	70%	Suning Holdings Group
June 2016	Spain (La Liga)	Granada	37	98.13%	DDMC (武汉当代明诚体育)
June 2016	France (Ligue 1)	OGC Nice	N/A	80%	A Chinese and American Consortium
July 2016	UK (English Premier League)	Wolverhampton Wanderers FC	54.8	100%	Fosun International Ltd (复星国际有限公司)
July 2016	Spain (La Liga)	RCD Espanyol	64	50.1%	Rastar Group (星辉互动娱乐)
August 2016	France (Ligue 1)	Olympique Lyonnais	100	20%	IDG (IDG 技术创业投资基金)
September 2016	UK (English Premier League)	West Bromwich Albion FC	201.2	88%	Yunyi Guokai Sports Development Ltd (云毅国凯（上海）体育发展有限公司)
October 2016	France (Ligue 2)	AJ Auxerre	7.0	59.95%	TechPro (奥瑞金包装股份有限公司)
April 2017	Italy (Serie A)	AC Milan	780.1	100%	A Chinese Consortium led by the China Europe Sports Industry Investment Fund (中欧体育产业投资基金)

[37] http://knowledge.ckgsb.edu.cn/2016/09/26/sports/chinese-companies-investing-football-clubs/
[38] The table only reflects the acquisition of shares from Chinese investors. Many has changed after further acquisitions from other investors.
[39] Wanda sold 17% of the Atletico Madrid's shares to Quantum Pacific *Group* on 14th February 2018.

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May 2017	UK (Championship)	Reading FC	N/A	75%	Renhe Commercial Holdings (人和商业集团)
July 2017	UK (League One)	Northampton Town FC	6.7	60%	5U Sport (5U 体育)
July 2017	Italy (Serie A)	Parma	N/A	60%	DDMC (武汉当代明诚体育)
August 2017	UK (English Premier League)	Southampton FC	241.4	80%	Gao Jisheng[40]

[40] https://baike.baidu.com/item/%E9%AB%98%E7%BB%A7%E8%83%9C/2463384?fr=aladdin

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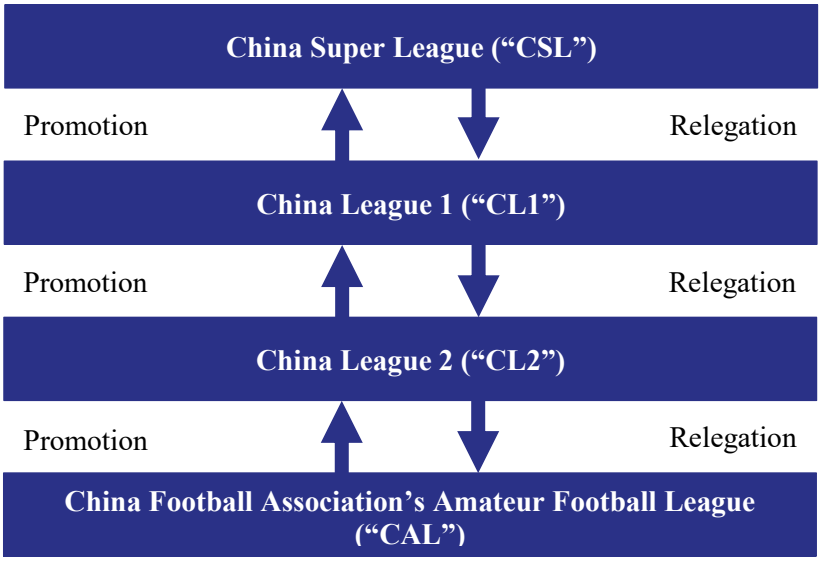
2. China's Football League Structure

2.1. Professional Leagues

The Chinese system of professional football leagues was established in 1994 with the creation of the Jia-A League (甲 A 联赛). Since then, China has adopted a four-tier structure for its league system, as shown in Figure 1. The current system includes, from highest to lowest, the CSL, China League One (中国足球协会甲级联赛, "CL1"), China League Two (中国足球协会乙级联赛, "CL2"), and the China Football Association's Amateur Football League (中国足球协会业余联赛 "CAL").

In 2017, there were 106 football clubs playing in the league system, including 16 in the CSL, 16 in the CL1, 24 in the CL2, and 50 in the CAL.[41] the top four clubs in the CAL are automatically promoted into the CL2, and the fifth and sixth placed clubs in the CAL enter a play-off against the bottom two clubs from the CL2 for the last two promotion spots in the CL2. The top two clubs in the CL2 are automatically promoted to the CL1 and the top two clubs of the CL1 are automatically promoted to the CSL. The bottom two clubs in the CSL are automatically relegated to the CL1 and the bottom two clubs of the CL1 are automatically relegated to the CL2.

Figure 1: Chinese Football League Tier System[42]



2.2. Amateur Leagues

China Football Association's Amateur Football League

Alongside the professional football league system, China has several national amateur leagues, including the aforementioned CAL.

The CAL is the amateur league created by the CFA to connect amateur teams to the professional league system. Since 2015, the CFA rules have stated that football clubs must participate in the CAL and finish in the top six to potentially be promoted to the professional league system.

The games in the CAL have a three-tier system, as seen in Figure 2. Football clubs first play in the provincial tournaments to win a place in the regional tournaments. There are a total of 50 clubs playing in eight regional tournaments, and 16 of them can proceed to the final tournament.

[41] http://sports.xinhuanet.com/c/2017-10/30/c_1121879636.htm
[42] http://www.fa.org.cn/bulletin/file/index.html

© EU SME Centre

Figure 2: Chinese Football Association's Amateur Football League (CAL) Tournament Structure[43]



China University Football League (中国大学生足球联赛 "CUFL")

CUFL is the most influential national university football league in China. Only registered students studying at Chinese universities aged between 18 and 28 are allowed to partake in it. The students are divided into three groups: the campus group, the super group, and the vocational college group. Each section has a similar game structure to the CAL, namely provincial, regional, and final tournaments. Students that study at sports universities or departments, or at vocational colleges, play in the super group and the vocational colleague group respectively, while other students are eligible to play in the campus group.

2.3. Coaching Training

The CFA has developed a five-tier system for football coaches in China, as is shown in Table 3. It consists of the Professional Level and Levels A to D, all of which work in tandem with the Asian Football Confederation.

Table 3: Qualifications of Coaches at Different Coaching Levels[44]

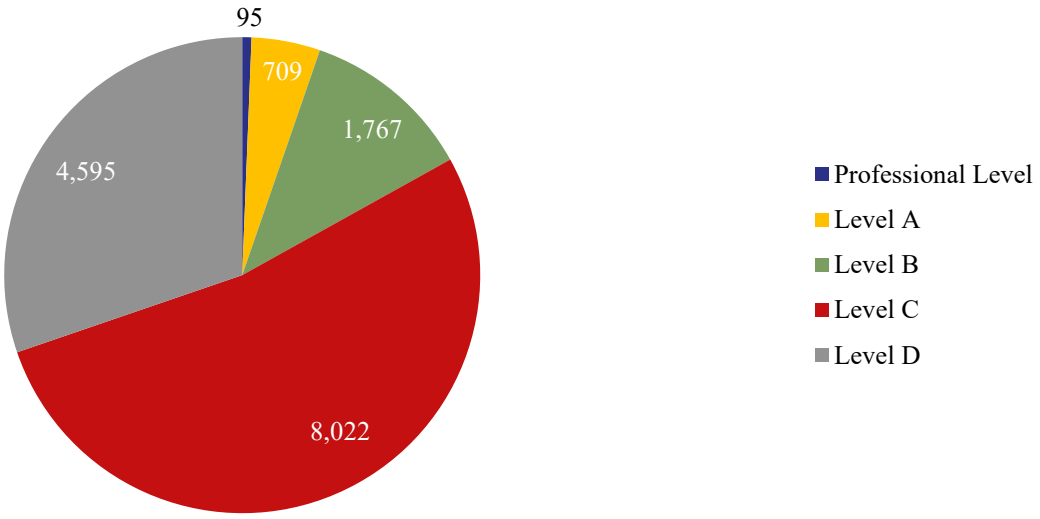
Level	Qualification
Professional Level (专业级)	Qualified to coach CSL and CL1 clubs
Level A (A 级)	Qualified to coach professional clubs, excluding CSL and CL1 clubs
Level B (B 级)	Qualified to coach the reserve teams of professional clubs
Level C (C 级)	Qualified to coach amateur teams only
Level D (D 级)	Qualified to coach amateur youth teams only

In total, the CFA trained 15,188 coaches at various levels between 2008-2013. As is shown in Chart 8, 95 were at the Professional Level, 709 at Level A, 1,767 at Level B, 8022 at Level C, and 4,595 at Level D.[45]

[43] http://cal.sport.org.cn/news/2014-05-20/437163.html
[44] http://www.imfa.com.cn/a/gongzuodongtai/20170815/1947.html
[45] http://www.chinanews.com/ty/2014/01-20/5755102.shtml

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Chart 8: Total Coaches Trained by the CFA 2008 - 2013[46]



2.4. Football Schools

2.4.1. The Three Phases in the Development of China's Football Schools

In the seven decades since the establishment of the People's Republic of China in 1949, its football school system has evolved in three distinct phases.

Phase I (1949 – 1990s): The first phase was from 1949 to the 1990s, when amateur state-sponsored sports schools were the primary method of football training in China. Taking inspiration from the former Soviet Union, football programmes were established in sports schools, sponsored by state funds, and managed by the sports administration offices and local football associations across the country. Students attended extra-curricular football courses while at these sports schools. Through training and playing matches, talented junior football players were selected from district or municipal schools to join higher level schools, such as provincial or national football institutions.

Phase II (1990s – 2015): The second phase was from the 1990s to 2015, when China's professional football league was launched, and professional football clubs were made responsible for cultivating junior football players. China tried to transform its football system by utilising market demand, rather than relying on the state-sponsored system, and youth football's development was managed by professional clubs. However, at that time clubs lacked the knowledge of how to operate sports schools and they often pursued short-term interests and high league positions instead of long-term development, and preferred to spend money on purchasing already-famous players rather than work on training junior players. As a result of this policy, the number of state-sponsored football schools fell from 3,000 before the 1990s to less than 10 by 2008.[47] The effect of neglecting youth training was profound and led to the decline in the Chinese national men's and women's football teams' performances.

Phase III (2015 – now): The third phase is the current one, which began in 2015 when a number of government policies were enacted to encourage football development. China began to establish a network of schools specialising in football, and started to expand the number of specialty schools from 5,000 in 2015 to 20,000 by

[46] http://www.chinanews.com/ty/2014/01-20/5755102.shtml
[47] http://sports.qq.com/a/20151005/018826.htm

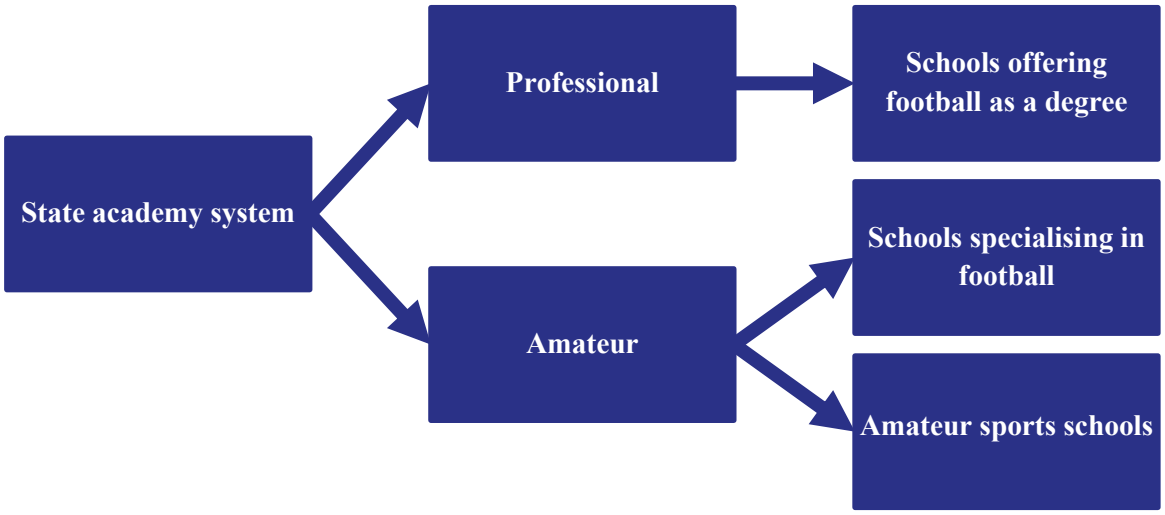
© EU SME Centre

2020, then 50,000 by 2025.[48] In this phase, the Ministry of Education (中华人民共和国教育部) has taken charge of the development of school football, meaning football is included on the physical education syllabus in all primary and middle schools, and the number of practice hours and matches between schools has been increased. In addition, over 50,000 full- and part-time coaches are to be trained in order to teach football in schools.[49]

2.4.2. China's School Football System Today

China's football schools are either state-owned or privately-owned academies, this being determined by their sources of funding. State-owned academies are generally supported by state funding, which comes from a number of state institutes, including the General Administration of Sport of China (国家体育总局), the Sports Lottery Centre (中国体育彩票), and the CFA, as well as the government at central, provincial, municipal, district, and county levels. State-owned academies can be divided into professional or amateur schools, as is shown in Figure 3. The former consists of universities and sports schools that offer football as a degree subject for a career in football, while the latter train students from non-specialist schools and universities and include some sports schools specialising in football.

Figure 3: State-Owned Football Academy System in China

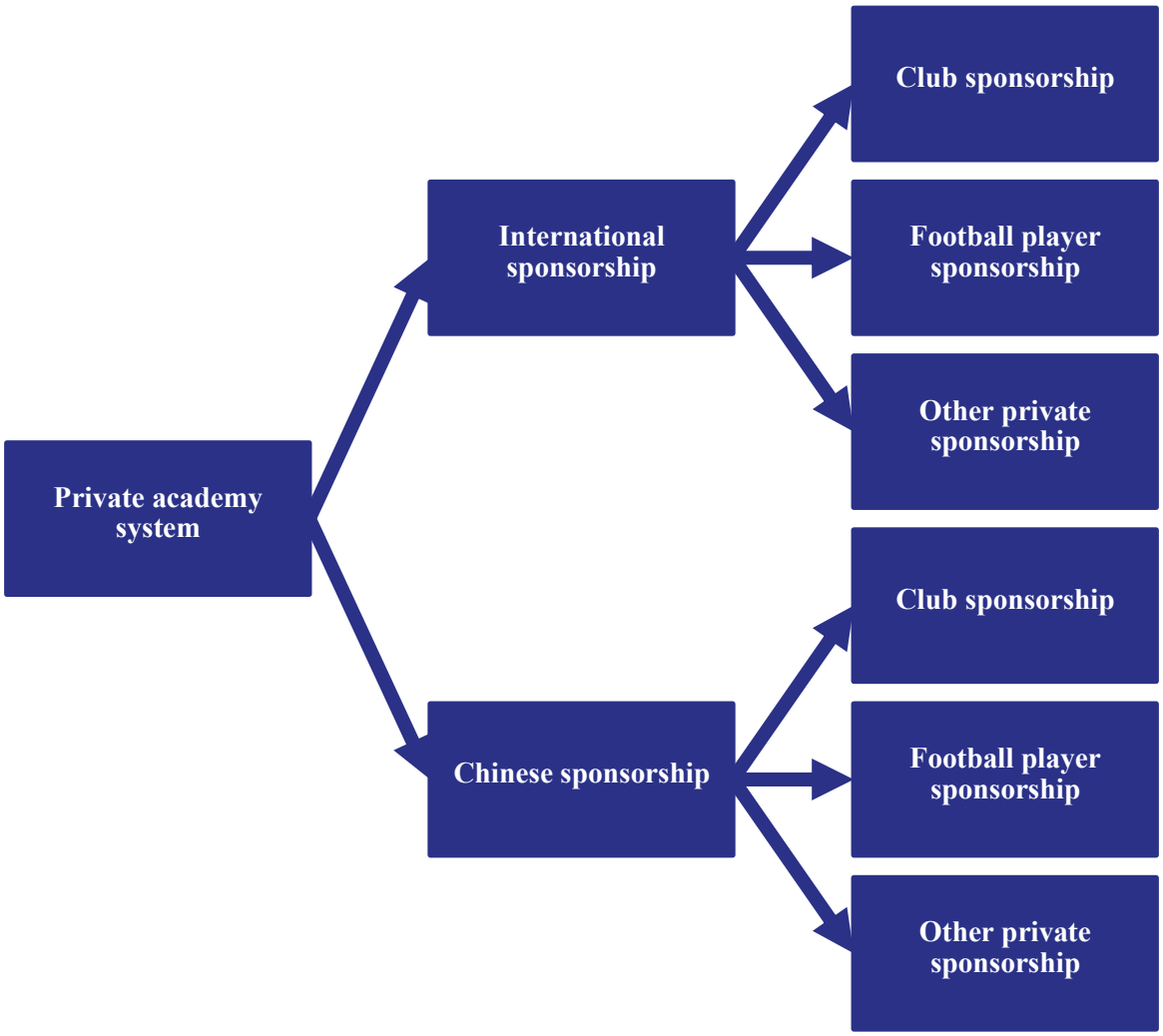


Privately-owned academies are sponsored by private Chinese or international funds, as is shown in Figure 4. The academies can receive investment from individuals or organisations, or alternatively can be associated with football clubs or players. For example, the former Brazilian professional footballer Ronaldo has opened a number of football academies in China since 2015, with his name as the face of the brand (discussed in more detail in Section 6.1).[50] International football clubs have also established academies in China, usually with a partner in the city the international club establishes itself in.

[48] http://www.gov.cn/zhengce/content/2015-03/16/content_9537.htm
[49] http://www.gov.cn/zhengce/content/2015-03/16/content_9537.htm
[50] http://sports.sohu.com/20160629/n456996345.shtm

© EU SME Centre

Figure 4: China's Privately-Owned Academy System in China



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3. Regulatory Environment

The CFA, as the governing body of Chinese football, has enacted a series of regulations to manage football's development in China. Table 4 lists the regulations covering the CFA's charter, clubs, player registration, player transfer, and brokerage.

Table 4: List of Regulations made by the CFA

Regulation	Year Enacted	Short Introduction
Charter of the Chinese Football Association (关于印发中国足球协会章程的通知)	2017	Covers the CFA's mission, task, working scope, membership, organisational structure, and its relationship with football clubs.
Regulations for Registration (关于印发中国足球协会注册管理规定的通知)	2016	Covers registration methods for member associations, football clubs, football schools, coaches, players, referees, and agents.
Regulations on the Transfer of Professional Football Clubs (关于印发中国足球协会职业足球俱乐部转让规定的通知)	2016	Covers how to transfer shares of CSL, CL1, and CL2 football clubs.
Basic Requirements of Professional Club Job Contract (中国足球协会关于印发中国足球协会职业足球俱乐部工作合同基本要求的通知)	2016	Covers regulatory articles for players and professional clubs when drawing up an employment contract.
Players' Identity and Transfer Management Regulations (中国足球协会关于印发中国足球协会球员身份与转会管理规定的通知)	2015	Covers regulations covering players' identity, transfer, and compensation.
Provisional Administration Measures Of Amateur Clubs (中国足球协会业余俱乐部暂行管理办法)	2005	Covers administrative measures for setting up, training, competing, and management for amateur clubs.
Management Measures Of Football Brokers (中国足球协会足球经纪人管理办法)	2005	Covers details of how to become a qualified agent by the CFA.

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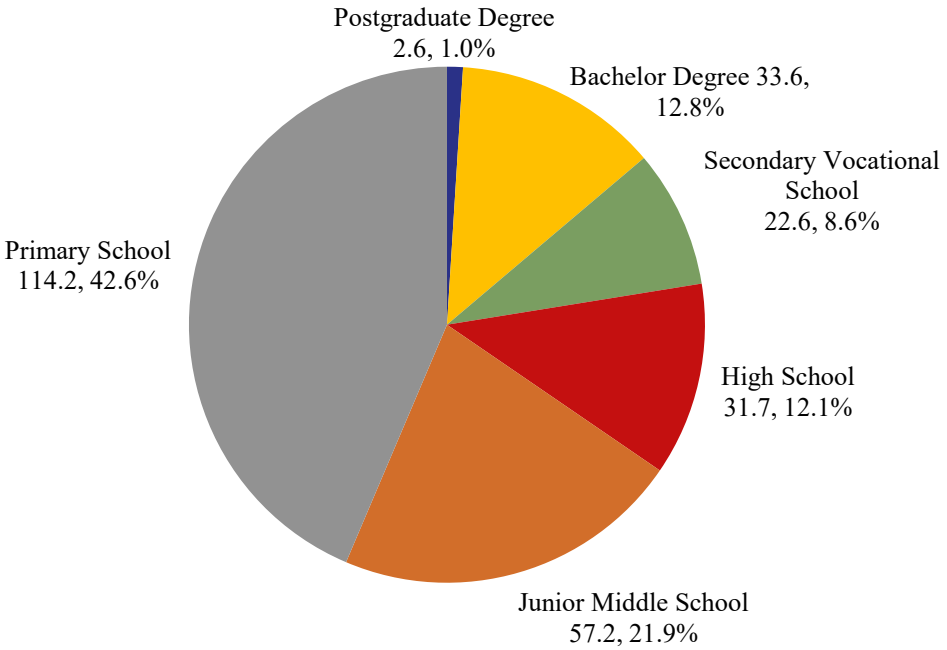
4. Opportunities and Challenges for EU SMEs

4.1. Opportunities

4.1.1. The Potential for Youth Player Training

China's youth football system is less developed than that in many European countries, meaning China has a large number of students but a comparatively small number of youth football players, therefore there is a lot of potential yet to be realised. In 2015, there were 261 million students in China, as Chart 9 shows.[51]

Chart 9: Total Number of Students in China in 2015, million[52]

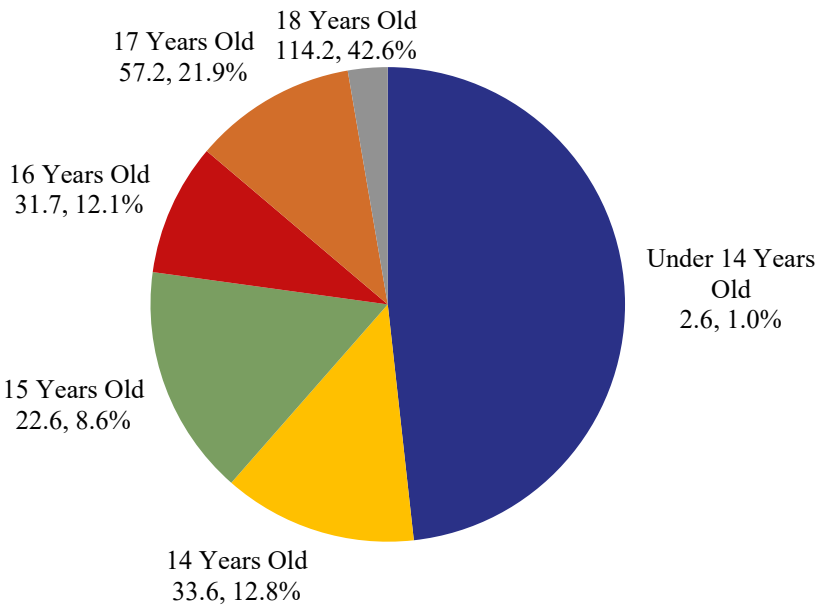


In 2015, there were 34,166 officially registered youth players (18 years old and under) in China, as Chart 10 shows.[53] Of these, 16,469 were aged 13 years and under, and only 935 were 18 years old.

[51] http://www.stats.gov.cn/tjsj/zxfb/201602/t20160229_1323991.html
[52] http://www.stats.gov.cn/tjsj/zxfb/201602/t20160229_1323991.html
[53] http://toutiao.com/i6265056680334066177/

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Chart 10: Total Number of Registered Youth Football Players in China in Each Age Category in 2015[54]



China not only lags behind in the quantity of registered students, but also in the quality of youth football training. The physical fitness and skills of China's football players at the age of 12 and 13 are similar to Spanish players of the same age, according to Mr Fernando Sanchez Cipitria (Training Director, Evergrande Football School (恒大足球学校)); however, they do not perform well when playing as a team.[55] He observes that Chinese coaches often ask children to do repetitive physical exercise and basic skill practices during training, which makes it difficult for them to develop a lasting interest in football.

It is common in China for children to be trained in the same way as adults are, with insufficient consideration of the physical and psychological traits of younger players. Coaches are not always aware of the importance of following training syllabuses, which are tailored to the capabilities of specific age groups.[56]

4.1.2. Retail Opportunities

China's economy is moving from a heavy reliance on investment and exports to being driven more by innovation and consumption. Football is regarded as a method of promoting consumption in China, resulting in opportunities for the retail sector.

Due to the government implementing policies that favour the development of football, it is becoming more attractive to Chinese sports fans. Furthermore, more famous European football coaches and players are now working in China than before, thus the quality of games is improving, resulting in games that fans, both new and old, find enjoyable. Chinese fans watch football games live at stadiums, and on television, computers, and mobile phones. They also participate in football training and friendly games. These all have implications for the retail sector, as this generates demand for quality football products, including football kits, football shoes, and other football apparel. European football clubs such as Real Madrid CF and FC Bayern Munich have already launched official stores on Tmall.com (天猫), a large Chinese online retailer.

4.1.3. Branding and Sponsorship Opportunities

A major draw to invest in football for Chinese companies is to benefit from the positive marketing and PR opportunities that sponsorship can create. In 2017, 109 Chinese companies were ranked in the Fortune 500

[54] http://toutiao.com/i6265056680334066177/
[55] http://sports.163.com/15/0420/10/ANKUKGKM00051C89.html
[56] http://sports.ifeng.com/a/20150927/44746860_0.shtml

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List.[57] These companies operate in various sectors, including energy, finance, automobiles, IT, and real estate, and most of them were established or re-established after China's Reform and Opening Policy (改革开放) began in 1978. Chinese companies, even very successful ones, are often not as well-known in other countries as other international companies, and therefore lack a global business profile. In this situation, European football is an effective method of promoting a brand, therefore Chinese companies have bought or invested in European football clubs, entered into licensing agreements with European clubs, and sponsored European clubs and matches.

4.1.4. Other Opportunities

There are also other opportunities that can be leveraged by EU SMEs entering China, including:

- **Infrastructure:** As a result of the Chinese government's commitment to the development of football, many stadiums and facilities will be built in the coming years. Alongside the refurbishment of old infrastructure, these projects will also create opportunities for EU SMEs working in design, consultancy, and operations.
- **Coaching:** China's lack of qualified personnel and facilities for coaching youth players, professional footballers, and coaches hinders its desired improvement in football skills. There is a demand for coaching materials, classes, and trips, which European companies can provide.
- **Broadcasting Rights:** Chinese fans enjoy watching European football, resulting in the broadcasting rights of the Premier League, the Bundesliga, and La Liga being sold for high prices to Chinese companies. In the past, watching football games on TV was free but there is evidence that more Chinese fans are now paying to view football on TV or online, and are willing to do this.[58]
- **Player and Staff Recruitment:** Recruiting high-level international players, managers, and club staff is a quick and efficient way for Chinese football clubs to win games in China and internationally, as skilled Chinese players and expertise continue to be a scarce resource in China.
- **Injuries and Rehabilitation:** When European coaches begin to manage a Chinese club, they often find the medical treatment of footballers to be unreliable, in that the medical personnel involved lack advanced physiotherapy equipment and rehabilitation training skills, and often have to work on the basis of personal experience rather than utilising professional knowledge of an appropriate area of medicine.[59]

4.2. Challenges

4.2.1. A Different Football Culture

It is important to understand that China has a different football culture than that found in Europe. Generally speaking, Chinese sports fans often regard sports as a hobby instead of a way of life, and list other things, such as work, family, education, and leisure, as more important than their hobbies. A further cultural difference is the attitudes of Chinese parents: many Chinese parents are happy to send their child to football training classes, but only if the training does not affect the child's academic studies, which they view as the best way for their children to get a good career once they reach adulthood.

4.2.2. Competition from Other Regions

Although European football is popular among Chinese football fans, it faces competition from football from other regions, in particular from Latin America and Japan. Footballers from Brazil and Argentina are very popular in China, while Japanese football has been leading Asian football for decades, following its reforms of player training and professional league development, and is regarded by China as an example worth studying.

[57] http://tech.sina.com.cn/i/2017-07-20/doc-ifyihrmf3058523.shtml
[58] http://hainan.ifeng.com/news/shangxun/detail_2015_11/10/4539371_0.shtml
[59] http://sports.163.com/12/1119/08/8GLMIILG00051C8U.html

© EU SME Centre

Furthermore, both China and Japan compete with European countries as a destination for young players to learn football skills and for professional clubs to train in their winter break.

4.2.3. Other Challenges

There are operational barriers that EU SMEs may encounter when they enter China, including:

- **Localisation of products and services:** Standard Chinese (Mandarin) is the official language in China, and it is used by most Chinese people. Localisation is a key issue when football related products are sold in China, so it is important that, where possible, such products are available in the language most Chinese people understand.
- **IP protection:** Although the Chinese government has strengthened the protection of intellectual property, infringement is still an issue that EU SMEs must be vigilant about, as to some extent it continues to be a problem in China.
- **The challenge of finding a suitable partner:** Finding suitable partners when entering a large and complex country like China is very important for international companies. A Chinese partner can help an international company entering China save costs and time, and can help it to adapt to the market efficiently.
- **Differences in culture and business practices:** European companies need patience and resources when adapting to Chinese culture, law, and the political situation.
- **Familiarity of doing business in China:** Knowledge of the local business environment and networking is a challenge when companies enter any new market. International companies need to be familiar with doing business in China in order to keep costs to a minimum and to maximise profit.

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5. Market Recommendations

5.1. The Football School Sector

The most common model for international companies to enter the football school market in China is through the delivery of coaching programmes with Chinese partners. This gives clubs the flexibility to form partnerships that handle funding, land leases, school registration, public relations, student enrolment, school operation, and profit generation.

A suitable Chinese partner to run China-based schools is essential for success. This partner does not necessarily need to be a company with an existing presence in the football industry; factors to consider when selecting a qualified partner include its financial status, geographic coverage, and willingness to cooperate. Experience in the football industry remains an advantage though. Furthermore, the size of the potential partner is not necessarily a decisive factor in assessing its suitability: many of China's large companies are considering significant investments in football due to optimism about the future of the market, yet some of them do not have any relevant experience in football or football training, therefore may lack the ability and patience for long-term investment that is needed to establish a successful football school.

5.2. The Retail Sector

China's football retail market is highly competitive, and both international and Chinese brands are trying to attract Chinese consumers. Purchasing behaviour across China varies greatly according to the location, age, gender, education, and income of consumers, therefore any European company operating in the market must develop a localised retail strategy for its product/service portfolio, market position, product/service design, pricing, and distribution. A detailed consumer analysis of China's football market is vital for EU sports SMEs to understand local consumer demands, segmentation, trends, and social-demographic characteristics, so as to identify and cater to its target consumers.

As with the football school sector, a qualified partner, such as an agent or distributor, can help to sell products or services related to football in China. As an example, these could be Chinese companies engaged in the sports retail market that could act as an importer of the goods or services produced internationally. With this method of market entry, it would no longer be necessary to directly invest assets and funds into China, but instead form a partnership that allows greater focus on the intricacies of the market. This would be a means of gaining an understanding of a new market with both a low cost and minimal risk.

When working with a Chinese company, there is a need to tackle the differences in culture and approaches to business practices. Key issues for consideration when entering a retail partnership include ownership, decision making powers, the length of any agreement, pricing, technology transfer, capabilities and resources, and government relations. The ability to maintain effective communication with a local partner and maintain control where necessary is crucial for success in China.

5.3. The Brand Licensing Sector

Licensing is a means of permitting a legally protected entity to be employed by a secondary party, based on a set of agreed terms and conditions.

Issuing licensing agreements is a quick means of entering new markets such as China, as it requires a minimal level of investment from a licence holder. Through cooperating with a Chinese partner, licensors can gain easy access to the Chinese market and benefit from the partner's experience, knowledge, client network, and contacts. In regions where there is no opportunity to manufacture locally it provides a useful route to entering the supply chain.

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However, the licensing model, when faced with poor quality management and decision-making, can prove costly to the licensor's brand image and reputation, which may in turn require time and effort to restore. Additionally, a licensee may acquire valuable knowledge from the licensor and go on to develop its own contact network that may then threaten the eventual position of the licence holder by becoming its competitor.

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6. Short Case Studies

6.1. Football School Case Study

Two Ronaldo Football Academies (罗纳尔多足球学院) started by the Brazilian professional footballer Ronaldo, with one in Beijing and the other in Mianyang (Sichuan Province), opened in 2015. After one year, the school had expanded into in six cities across China, and had established licensing agreements with 30 Chinese football schools.[60]

The Ronaldo Football Academy has developed its own teaching system and employs coaches from Brazil for its classes, with the assistance of Chinese football teachers. Students range from four to 18 years old, and they receive tailored training based on their age. The Ronaldo Football Academy also emphasises the importance of social involvement and cultural awareness during its training.

As an example of the academy's training programmes on offer, the winter camp in Hainan Province operated three sessions in 2017:

- Session One: 15th January 2017 – 25th January 2017
- Session Two: 30th January 2017 – 5th February 2017
- Session Three: 5th February 2017 – 11th February 2017

Chinese and English bilingual courses are delivered during each session, covering individual ball control skills, body coordination, physical and mental training, ball passing, attack and defence techniques, and tactics. Morning courses run from 10:00 to 12:00 and afternoon courses from 15:00 to 17:00.

6.2. Retail Case Study

New Balance, a large global sports footwear manufacturer from the United States, entered China in 1990. The company sells apparel (T-shirts, jackets, trousers, and shorts), shoes (for running, tennis, football, and hiking), and accessories (hats, backpacks, and slippers) for men and women, and shoes for children through both online and offline stores.

New Balance has built a vast network of physical stores by appointing one distributor in each region, which in turn identify suitable city-level distributors.[61] As well as selling its products through distributors, it has also opened directly-operated stores located in the business centres of first- and second-tier cities in China.[62]

In addition to its physical stores, it sells products through large E-commerce platforms, including JD.com (京东), Tmall, OKBUY (好乐买), and Yintai (银泰网). New Balance has an official flagship shop on JD.com, one of China's major e-commerce platforms, where it offers a wide range of its products, including 420 types of shoe.

The most expensive shoes in the shop are the NB 990 series running shoes for men at EUR 256 (RMB 1,894), while the cheapest shoes in the shop are the NB 500 series running shoes for men at EUR 41.22 (RMB 303). Additionally, there are three types of men's football shoes sold in the shop: the MSVROAEM and MSFPALT3 series are EUR 192 (RMB 1,421) each, while the MSFMATLT3 series costs EUR 102 (RMB 755).[63]

[60] http://sports.sohu.com/20160629/n456996345.shtml
[61] http://www.domarketing.org/html/2014/clothing_1216/13106.html
[62] http://paper.dzwww.com/jjdb/data/20150316/html/12/content_2.html
[63] Data collected on 16th Nov. 2017 from https://mall.jd.com/index-60920.html

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6.3. Brand Licensing Case Study

Licensing is the process of permitting a legally protected entity to be used by another party, with terms and conditions agreed by both parties. The entity may be a name, logo, trademark, graphic design, slogan, signature, character, or a combination of these.[64] The licensee needs to pay a fee in order to use the entity.

Real Madrid CF has diversified its licensing business across China, such as by issuing licences for products, football training, and fan clubs.

Huawei (华为), a large Chinese telecommunications supplier, is authorised to use Real Madrid CF's logo on its mobile phones. It is reported that this is connected to the agreement made by Huawei with La Liga in November 2013, when it became its partner for the 2013/2014 season. With this agreement, Huawei obtained the rights to use La Liga players' pictures and team trademarks, including logos, mascots, and other symbols. Following this, La Liga's official app was pre-installed on some Huawei mobile phones.[65]

Luyuan (绿源电动车), a manufacturer of electric motorbikes in China, signed an agreement with Real Madrid CF in March 2015.[66] As a Real Madrid CF sponsor, Luyuan is licensed to manufacture a Real Madrid CF series of electric vehicles in China.[67]

For football training, Real Madrid CF authorised Shanghai Living Word School (美高学校上海) to be a youth training base. Real Madrid CF sends coaches and well-known football players to the school for summer and winter camps, and children are also able to get certifications and original jerseys from Real Madrid CF players.[68]

Additionally, by the end of 2015 Real Madrid CF had licensed three fan clubs based in Beijing, Shanghai, and Yunnan Province, all of which provide a platform for Real Madrid CF fans to communicate with each other, and also a channel to support local football development.[69]

[64] http://www.fabao365.com/shangbiao/94656/
[65] http://www.c114.net/news/126/a824451.html
[66] http://money.163.com/15/0402/05/AM61O1V600253B0H.html
[67] http://www.financialnews.com.cn/lt/cyhz/201503/t20150330_73542.html
[68] http://www.lw-school.com/
[69] http://yn.yunnan.cn/html/2015-11/14/content_4012016.htm

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7. Annexes

7.1. Relevant Football Associations and Schools

Chinese Football Associations and Schools
Chinese Football Association (CFA) - 中国足球协会 http://www.thecfa.cn/cfafsl/index.html It was established in 1955, is the legal governing body for football in China. It is a member of the Asian Football Confederation and FIFA. The CFA's functions include managing football's development, building football clubs, drawing up competition systems and relevant regulations, training coaches and referees, and developing international cooperation. Under the CFA there are several departments, including the Professional Department, the Amateur Department and the National Team Management Department.
General Administration of Sport of China - 国家体育总局 http://www.sport.gov.cn/ The General Administration of Sport is the government agency that is responsible for sports in all mainland China. It is subordinate to the State Council of the People's Republic of China and it is responsible for several areas, such as the creation of a national sports framework, the organization and the promotion of sports events and the development of the sports industry.
China University Football League (CUFL) - 中国大学生足球联赛 http://www.cufl.com/ CUFL is the most influential national university football league in China. Only registered students studying at Chinese universities aged between 18 and 28 are allowed to partake in it. The students are divided into three groups: the campus group, the super group, and the vocational college group. Each section has a similar game structure to the CAL, namely provincial, regional, and final tournaments. Students that study at sports universities or departments, or at vocational colleges, play in the super group and the vocational colleague group respectively, while other students are eligible to play in the campus group.
Guangzhou Evergrande Football School (Guangzhou Evergrande Taobao Football Club) http://www.gzevergrandefc.com/english/about.aspx The Evergrande Football School was launched by Chinese Super League champions Guangzhou Evergrande and Real Madrid in 2012. The school has 2,500 students and 50 football pitches and it is regarded as one of the best in China. The students train six days a week with their Spanish coaches, who have come from a partnership with Real Madrid. According to their official website, Guangzhou Evergrande is believed to be the most successful and most influential football club in Asia.
Ronaldo Football Academy (Hong Kong, China) http://alunos.ronaldo.academy/en/# Phone: +852 2834 0060 Email: hongkong@ronaldo.academy In 2015, the Brazilian professional footballer Ronaldo started two Ronaldo Football Academies (罗纳尔多足球学院), one in Beijing and the other in Mianyang (Sichuan Province). After one year, the school had expanded into in six cities across China, and had established licensing agreements with 30 Chinese football schools. It has developed its own teaching system and employs coaches from Brazil for its classes, with the assistance of Chinese football teachers.

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About the Centre

The EU SME Centre helps EU SMEs prepare to do business in China, by providing them with a range of information, advice, training and support services. Established in October 2010 and funded by the European Union, the Centre has entered its extension year of the second phase which will run until July 2019.

The Centre is implemented by a consortium of six partners – the China-Britain Business Council, the Benelux Chamber of Commerce, the China-Italy Chamber of Commerce, the French Chamber of Commerce in China, the Eurochambres, and the European Union Chamber of Commerce in China. All services are available on the Centre's website after registration, please visit: www.eusmecentre.org.cn.

About CBBC

This report is compiled in partnership with the China-Britain Business Council (CBBC) and is an introduction to e-commerce in China. It aims to help EU SMEs gain an understanding of the different e-commerce channels in China and how EU SMEs can use these channels in a cost-efficient way.

CBBC is the leading organisation helping UK companies grow and develop their business in China. CBBC delivers a range of practical services, including: advice and consultancy, market research, event management, an overseas market introduction service, trade missions and exhibitions, and setting up rep offices. For more information about what CBBC can do to help your business develop in China, please visit: www.cbbc.org.

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