

The  
Economist

Corporate  
Network

# CHINA GETS ITS GAME ON

The emerging power  
of China's sports  
and fitness industry



Supported by







## Acknowledgements

*China gets its game on: The emerging power of China's sports and fitness industry* is a publication of The Economist Corporate Network (ECN). It aims to provide useful, thought-provoking data, commentary and analyses on the scale and potential of athletics and physical activity in the world's second-largest economy.

ECN gratefully acknowledges the support of ANTA Sports Products, the sponsor of *China gets its game on*. Irrespective of sponsorship, as with all our content output, ECN produced this study with complete editorial independence. Rob Koepp, director of ECN in Beijing and Hong Kong, designed, researched and wrote this report. The supervising editor was Robert Ward, global editorial director of The Economist Intelligence Unit (The EIU). Colette Milward, senior sub editor of Country Publishing at The EIU, served as copy editor.

This report also greatly benefited from the graphics and layout design work of Wai Lam, Asia-Pacific art director at The Economist Group.

December 2016

© 2016 The Economist Corporate Network. All rights reserved. All information in this report is verified to the best of the authors' and the publisher's ability. However, the Economist Corporate Network does not accept responsibility for any loss arising from reliance on it. Neither this publication nor any part of it may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of the Economist Corporate Network.



# Contents

- 1**     **Acknowledgements**
  
- 3**     **Executive summary**
  
- 5**     **Introduction**  
A springboard for discussion
  
- 6**     **Market muscle**  
The strength of demand for sports and fitness
  
- 13**    **Government assist**  
The political will for better performance
  
- 21**    **Fitness lifestyles**  
New habits and ancient traditions are making for a more active China
  
- 27**    **Conclusion**  
Playing out the game

## Executive summary

### Market muscle

- We take the size of the current **combined value of China's sports and fitness market at nearly Rmb1.5trn (US\$217bn)**. Almost 70% of that amount comes from the consumption of sporting goods and equipment.
- Approximately **one-third of Chinese people frequently exercise**, implying that 434m people in China are physically active.
- **Among Chinese provinces and metropolitan areas, Beijing has the largest percentage of people who regularly exercise at least once per week—50%**. The other metros and provinces in the top tier of physically active regions are Chongqing, Liaoning, Shanghai and Tianjin.
- China's population of 1.36bn is roughly equally split between under-40s and over-40s. **By 2030, those over 40 years of age will outnumber those under 40 by almost 40%**.
- Over the same period, **Chinese private consumption will rise more than threefold to nearly US\$14trn**. As China's population ages, it will also be getting richer.
- We see China's **clothing and footwear, health, and leisure and education sectors poised for strong growth** of between 26% and 42% over the next five years.
- **Other sources estimate that sales of sportswear will jump by more than 50%** between 2015 and 2020. Indicators also suggest a greater presence of foreign brands, providing a healthy competitive environment, benefiting Chinese consumers and providing incentives for domestic brands to improve their offerings.
- **Multiple sectors in China are undergoing a shift towards "premiumisation"**. In China's activewear market, that will result in consumers searching for greater product differentiation and functionality.

### Government assist

- **China's State Council has targeted sports and fitness for rapid expansion**, aiming for the industry to exceed Rmb5trn (US\$722.5bn) in value by 2025.
- **We estimate China's sports-to-GDP ratio at 1.9%**. The government's goal implies



a target of 3% or higher—aggressive but achievable.

- We forecast China’s GDP growth to decline significantly by 2018. **The growth of private consumption will continue to outpace that of GDP**, however, and remain above 5%.
- **The most notable government initiative for sports is the “Chinese Football Mid-to-Long-term Development Plan (2016-2050)”**. China has three major football (soccer) targets: to qualify again for the FIFA World Cup, to host a World Cup and to win a World Cup.
- **Football offers many advantages over other sports as the focus of China’s push for worldwide sporting glory**. However, the country will need drastically to improve on its current level of performance.
- **The Chinese Super League (CSL) started its new season in March 2016, after CSL clubs spent €331m (US\$351m) on foreign players** during the winter transfer window—a record for China and an amount that exceeded by almost one-third the total transfer spending of English Premier League clubs.
- **Chinese interests have already poured some US\$1.5bn into European football**, with over US\$2bn still on offer to targeted European clubs.
- An estimated **80m-100m older Chinese, almost all women, practice a form of dance calisthenics known as *guangchangwu*** (“plaza dancing”).
- ***Guangchangwu* represents a major trend in physical activity for older Chinese and offers a significant commercial opportunity, which Chinese business and investors are acting upon.**
- Skiing has been steadily growing in popularity in China, but the market still lags that of major developed economies, such as the US. However, **winter sports in China could be on track for a major boost from the 2022 Beijing Olympic Games.**
- There is a great deal of **untapped potential associated with traditional Chinese martial arts and methods for enhancing health and wellness.**
- In China today, traditional martial arts and wellness methods (the latter known as *yangsheng*), are actively practiced. **However, these traditions have fallen out of step with global trends**, with many younger people favouring imported practices.
- **A major opportunity for unleashing the potential of sports and fitness in China could lie in applying traditional Chinese concepts of physical strength and wellness to modern consumer demand.**

## Fitness lifestyles

# Introduction

## A springboard for discussion

This study presents a range of up-to-date, forward-looking views on sports and fitness in China. It interweaves perspectives on what is happening in the industry with trends among Chinese consumers and sporting participants. Beyond its industry focus, the report shows how market dynamics provide insight into the nation's evolving role in the global economy.

Although not intended as a comprehensive study on all segments of the industry, the report provides useful, thought-provoking data, commentary and analyses on the scale and potential of athletics and physical activity in the world's second-largest economy. The Economist Corporate Network hopes this report's findings can serve as a springboard for informed discussion on the range of topics covered.



# Market muscle

## The strength of demand for sports and fitness

Having only recently begun to transition towards a consumption-driven economy, China Inc. has not been globally renowned for an industry like sports and fitness as a symbol of its prowess. Instead, the country's economic dynamo has been associated with such factors as its famously diligent workforce, government policy that coddles smokestack industries, and a population that stashes away hard-won earnings into savings rather than splurge on lifestyle pursuits. In the past, the health objectives of average Chinese city dwellers have tended towards finding ways to protect against polluted air and tainted food, not availing themselves of modern fitness facilities and outdoor recreational opportunities.

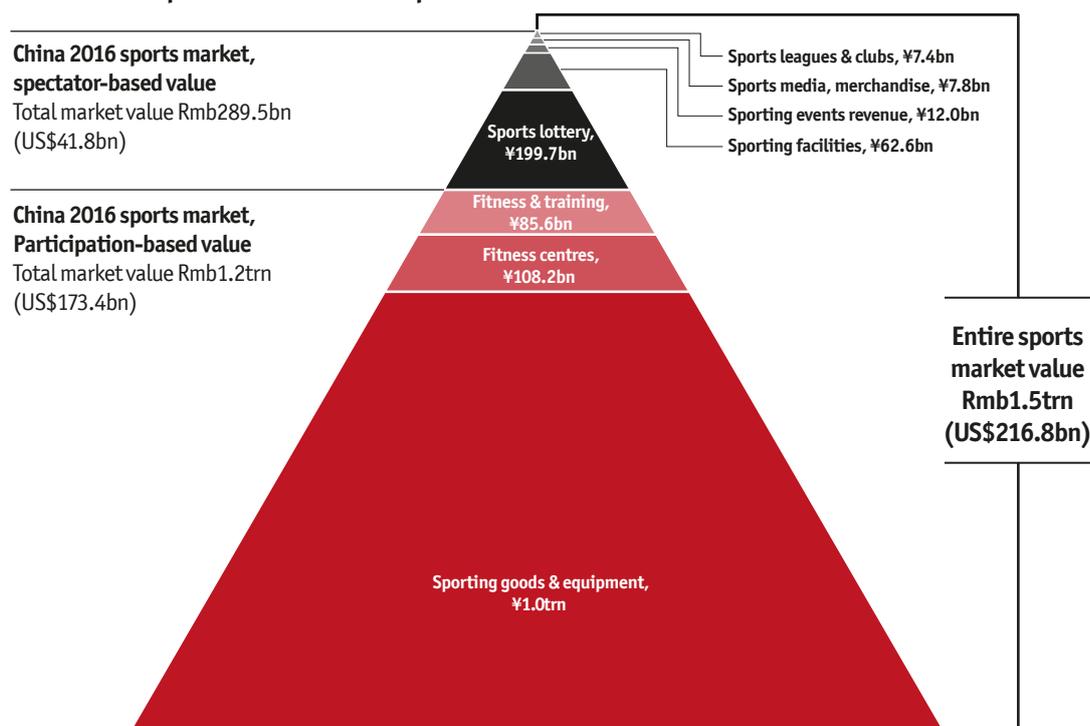
The old aspects of China's economic make-up are undergoing profound, in many ways surprising, changes. Its sports industry today exhibits real strengths and is poised for more growth in the years ahead. Sports and fitness in China is, moreover, an area where some form of participation—far more than mere spectating—contributes the greatest monetary value.

### AN ACTIVE MARKET

eCapital, a Beijing-headquartered investment bank, puts the combined value of sports and fitness in China at nearly Rmb1.5trn (US\$216.8bn).<sup>1</sup> By its estimates, the consumption of sporting goods and equipment contributes close to 70% of that amount. Another 13% comes from revenue generated by fitness centres and money spent on physical training.

Insofar as the sporting goods segment includes "activewear" and shoes that can be worn casually for fashion and comfort as well as for strenuous physical pursuits, it is not an exact indicator of sports and fitness activity in a country. Moreover, some observers are also quick to point out that official Chinese government data on the nation's sports industry, from which eCapital derives its information, tend to exceed standard global estimates. That being said, sizing the market in this way is useful for ascertaining the prevailing views on market scale and potential within China. Furthermore, it offers a barometer of how government planners and domestic businesses and investors are assessing the market and formulating strategies for further development of China's

## How China's sports market stacks up



Sources: China eCapital, The Economist Corporate Network.

sports and fitness industry.

Moreover, concerning the large portion of the market attributed to sporting goods and equipment, as a proxy of sports and fitness activities, these products do in fact provide kit to those participating in athletics and exercise. As examined below and in this report's closing section, other statistics likewise point to a population that is becoming more physically active. In this context, it is therefore not surprising that the market segments of fitness centres and athletic and fitness training, for example (representing a combined value of Rmb193.8bn or US\$28bn), are attracting about as much money as the national sports lottery (which annually earns Rmb199.7bn or US\$28.9bn).

## REGIONAL ACTIVITY

Demographic surveys point to a population that is exercising more. The latest figures show that, on average, slightly over one-third (34%) of Chinese people frequently exercise—a marked increase from the 28.2% registered seven years earlier. Considering a multitude of bottom-up factors brought about by China's economic momentum and the top-down effects of supportive government policies, those percentages will probably rise further in the coming years.

<sup>1</sup> eCapital's market valuation combines and extrapolates data from China's General Administration of Sport, Ministry of Finance, National Bureau of Statistics, *The Twelfth Five-year Plan for Sports Development*, *China Statistical Yearbook*, *Annual Report on Development of Sports Industry in China (2015)*, *2014 China Fitness Industry Development Report*, iResearch, *Sports Weekly*, CVSC-Sofres Media, NetEase, Plunkett Research, IHRS, IBIS World, Laurent Vanat, PwC, and IEG. ECN's graphic representation of the market combines segments generating less than Rmb7bn (US\$1.1bn) in revenues. All US\$ calculations in this report use an exchange rate of Rmb6.92 to the US dollar.



On the basis of the provinces and major metropolitan areas reporting, the rate of physical activity implies that 434m people in China were physically active according to the government’s latest survey. In the wake of extensive upgrades to its public spaces and sports and fitness facilities leading up to and following the 2008 Summer Olympics, Beijing stands out as home to the largest percentage of people who regularly exercise. One-half of all Beijingers over the age of six manage to exercise at least once per week. Remote and relatively poor provinces—Ningxia, Xinjiang, Tibet, Qinghai— record the lowest percentages of frequent exercisers, registering participation rates of between 25% and 29%.

To the extent that Chinese regions continue to develop economically, their residents are likely increasingly to participate in sports and fitness activities. The rising consumer power that accompanies such development will further stimulate related sectors, such as health and leisure, as well.

### Frequent exercisers

Numbers and percentages across provinces and major metropolitan areas



	Population (m)	Percentage
<b>Beijing</b>	11.1	50%
<b>Chongqing</b>	12.4	44%
<b>Liaoning</b>	17.9	41%
<b>Shanghai</b>	10.5	41%
<b>Tianjin</b>	5.7	40%
<b>Sichuan</b>	30.5	39%
<b>Inner Mongolia</b>	9.6	39%
<b>Guangdong</b>	41.4	37%
<b>Jiangsu</b>	28.2	35%
<b>Zhejiang</b>	16.0	35%
<b>Guangxi</b>	16.3	35%
<b>Fujian</b>	13.1	35%
<b>Shaanxi</b>	13.2	35%
<b>Hebei</b>	25.3	34%
<b>Shanxi</b>	12.4	34%
<b>Hubei</b>	18.3	33%
<b>Hainan</b>	3.0	33%
<b>Jiangxi</b>	15.1	33%
<b>Heilongjiang</b>	12.7	33%
<b>Hunan</b>	21.2	32%
<b>Anhui</b>	19.0	32%
<b>Gansu</b>	8.2	32%
<b>Jilin</b>	8.7	32%
<b>Yunnan</b>	15.0	32%
<b>Henan</b>	29.3	31%
<b>Guizhou</b>	10.2	30%
<b>Qinghai</b>	1.7	29%
<b>Tibet</b>	0.9	27%
<b>Xinjiang</b>	5.8	25%
<b>Ningxia</b>	1.6	25%
<b>Total/Average</b>	<b>434.4</b>	<b>34%</b>

■ Indicates provinces and major metros that are more physically active than the national average.

Sources: Annual Report on Development of Sport for All in China (2015), The Economist Corporate Network.

## GREYER POPULATION, GREENER WEALTH

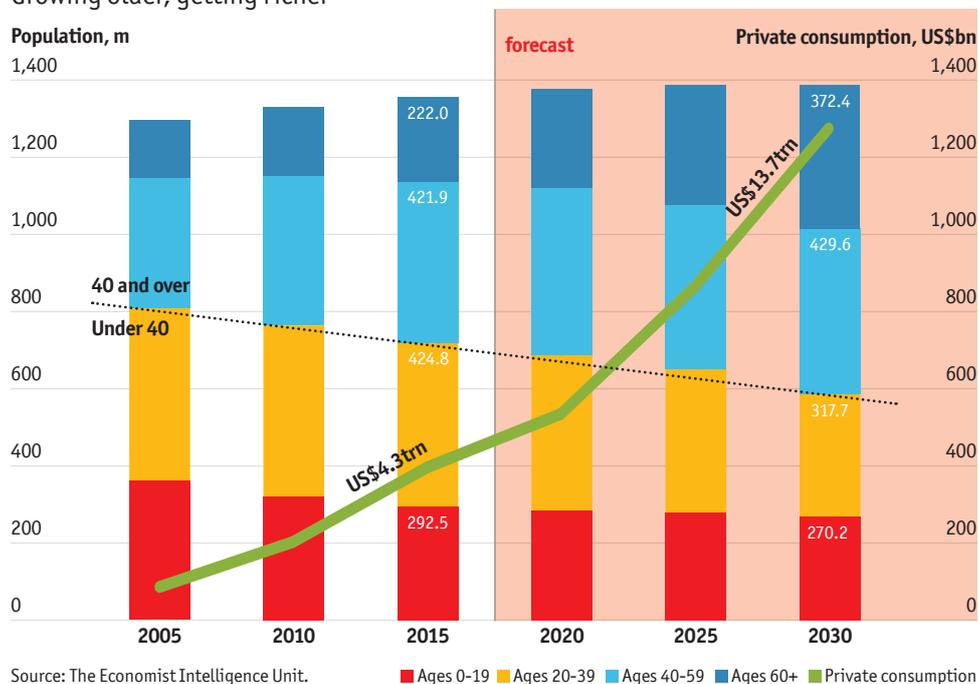
The effects of years of stringent family planning policies have created a society that is becoming older. The most recent verified data (2015) still show slightly more Chinese under the age 40 than over (there were approximately 720m 0-40 year-olds, edging out by 10% those in older age brackets). However, the higher age groups are swelling in number and will be in the majority by 2020. Another decade on, and China will be home to fewer than 590m citizens who have not yet passed 40, but more than 800m who have—The number of over-40s will surpass the number of under-40s by 36.4%.

On the face of things, this might sound like bad news for the business of sports and fitness in China. Older people have not been the industry's usual target demographic. Moreover, in a developed economy, a greater population of retirees would tend to drag on economic growth and pull down consumer spending in the process. Yet China in these regards enjoys some advantages. Its trends in demography and spending power on balance are largely encouraging for the sports and fitness industry.

Most fundamentally, China's overall population is earning and consuming in amounts the likes of which previous generations could only dream. Chinese people today are shelling out over US\$4trn annually in private consumption. That spending is set to more than triple by 2030. The population is greying, but it is certainly not getting

### Chinese consumers

Growing older, getting richer





poorer. Retirees might be more conservative spenders than wage-earners, but they do not stop consuming. They also have age-related health and wellness needs that offer new opportunities for innovative sports and fitness providers. This report's section on "Fitness lifestyles" (pages 21-26), begins with an examination of one such trend in senior citizen fitness activities.

## **FUNDAMENTALS THAT "GO THE DISTANCE"**

Industry prospects look promising even when only focusing on China's shrinking pool of traditional core consumers for sports and fitness, those aged 20-39. Although their ranks are set to thin by around 25% over the next 15 years, accompanying growth in annual levels of private consumption will outweigh this decline by orders of magnitude. The number of adults aged under 40 in China will remain above 300m as far as 2030, and throughout that period they will accumulate greater consuming power.

To put these changes in further perspective, The Economist Intelligence Unit estimates that median household income in China was slightly above US\$9,000 in 2016. By 2020 it will be above US\$11,000 and, by 2030, almost US\$29,000. As older Chinese people become more numerous, those of working age will see even larger increases in their wages. Apart from spending on themselves, China's higher-earning workforce can be expected to provide for their children and parents through larger expenditure on health, wellness and recreation.

Moreover, dividing younger and older consumer groups can produce a false dichotomy. Chinese millennials (known in China as "the post-80s and post-90s generation") and baby boomers both tend to be conscientious about matters of fitness. To an extent this reflects global trends, but there are culturally specific elements at play as well; China has its own physical-exercise traditions and preferences. Younger Chinese certainly will be more represented in marathons and working out at gyms. But the ranks of Chinese retirees can likewise be expected to be found moving to the beat of the increasingly popular "plaza dances" in public spaces and practicing tai chi exercises at parks. Fitness activities may differ, but they are not exclusive to any single age demographic.

## **FITTED TO BE FIT**

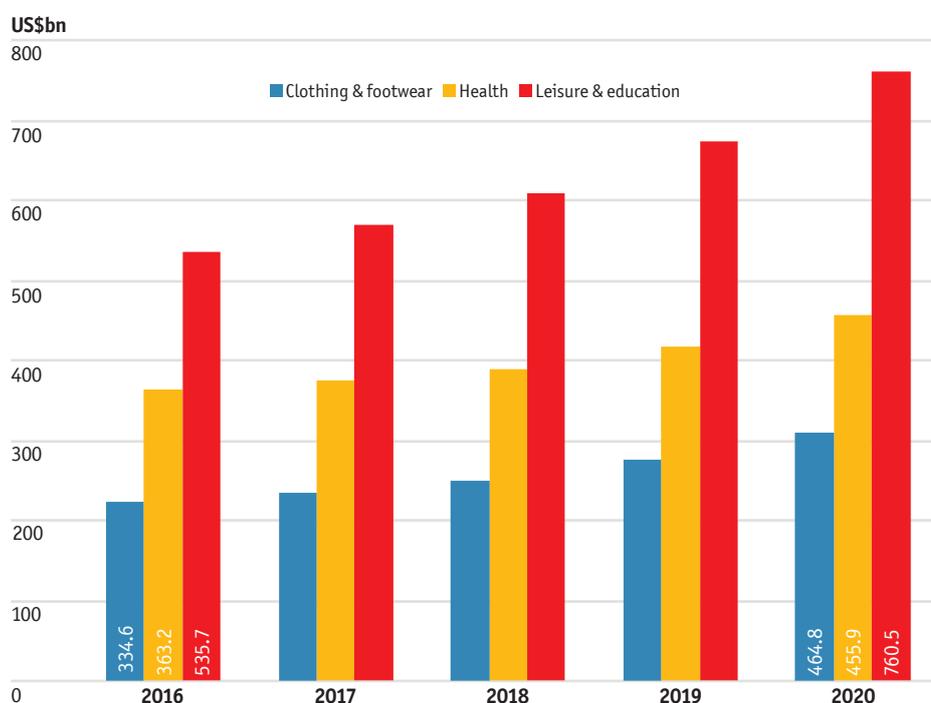
We see China's clothing and footwear, health, and leisure and education sectors poised for strong growth, rising by 38.9%, 25.5%, and 42%, respectively, over the next five years. The compound annual growth rates for clothing and footwear and leisure and education will run at 8.6% and 9.2%, respectively. That rate of increase means these two sectors in particular will significantly outpace China's GDP growth, even according to the most aggressive reliable GDP forecasts. That in turn implies above-average favourable economic conditions for the subsectors of sportswear, fitness and athletic training, and sports events and media.

More detailed estimates anticipate even stronger growth for sportswear, a key

component of the industry’s dominant sporting goods and equipment sector. For example, US investment bank Goldman Sachs forecasts that sportswear sales will reach Rmb254bn (US\$36.7bn) by 2020, a 53.8% jump over the 2015 sales of Rmb165bn (US\$23.8bn).<sup>2</sup> Compared with Economist Intelligence Unit estimates for China’s entire clothing and footwear market over the same timeframe, this suggests revenue from sportswear will grow faster than those from apparel overall by more than 25%.

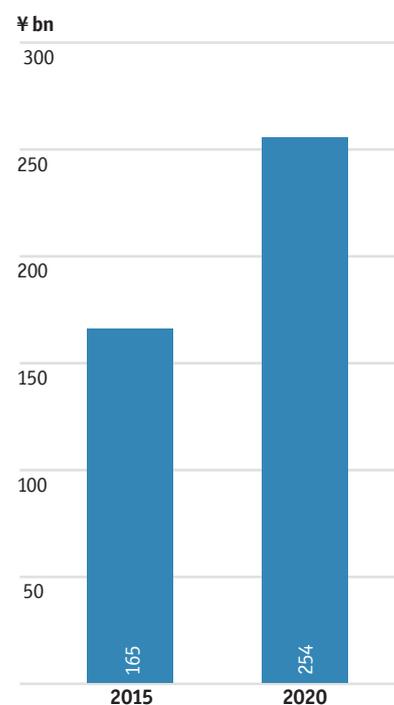
### China consumer expenditures

Clothing, health, leisure



Source: The Economist Intelligence Unit.

Sportswear



Source: Goldman Sachs.

### GOING GLOBAL, GOING FUNCTIONAL

Encouragingly for international brands, indicators suggest foreign sportswear companies will have a majority share of the mid- and high-end market by 2020, from the current roughly equal balance between foreign and domestic brands. In an economy that is notorious for limiting or blocking access for foreign entrants to important markets, China’s sportswear sector is looking forward to high growth and openness. The global sports apparel and shoes brand leader, Nike, has set sales of US\$6.5bn as its fiscal year 2020 goal in China. US-based VF Corporation, which owns a product portfolio

<sup>2</sup> Goldman Sachs, *China: Retail: Speciality Apparel & Accessories*, June 7, 2016.



centred around outdoor and active lifestyle brands such as The North Face, Timberland and Vans, intends to grow its China business from US\$600m to over a US\$1bn by 2020.

An expanding, competitive market will be a boon to Chinese consumers, who will benefit from better variety, quality and pricing. Although it will pose a challenge to Chinese home-grown sportswear brands, those that manage to thrive in a contested local market will strengthen and become better able to compete overseas. Chinese domestic market share leaders, ANTA (this report's sponsor) and Li Ning, will be incentivised to "up their game" to counter pressures from foreign brands at the higher end of the market and less renowned domestic brands at the lower end.

As the sportswear market evolves in tandem with an increasingly fitness-minded public, demand for functional performance-enabling products is likely to pick up. This will be reinforced by global trends around the fitness craze that guide more broadly applicable styles. The market research firm NPD, for example, has observed that clothing design around the world has been adopting the philosophy that "function is fashion" and converging towards a style of "athleisure", a blend of athletic functionality with casual wearability.<sup>3</sup>

Such findings are consistent with results of studies by The Economist Intelligence Unit on product life-cycle experiences across multiple sectors in China and elsewhere. In an evolutionary market process known as "premiumisation", when consumer spending power grows, so does demand for products that offer tangible value-added features.<sup>4</sup> For China's sizeable sports and fitness market and the increasingly active and wealthy consumers who fuel its growth, demand for quality and value will rise in kind.

<sup>3</sup> NPD, *Retailing in the Age of Fresh, Fit, and Well*, 2016.

<sup>4</sup> See The Economist Intelligence Unit Canback, *Portfolio strategy: Getting ahead of the curve*, August 2016.

## Government assist

### The political will for better performance

“The body,” begins a popular Chinese aphorism attributed to Mao, “is the revolution’s fundamental currency.” Usually cited to remind people of the importance of keeping fit, the expression has assumed new meaning with heightened government efforts to promote sports and fitness as a strategic growth area. Now part of a broader agenda to create a more prosperous, innovative, efficient and balanced economy, sports and fitness in China enjoys great official cachet. Having hitherto mainly focused on increasing China’s intellectual capability in science and high-technology sectors, the government is now looking to augment the national brain power with some physical brawn.

#### GROSS DOMESTIC PHYSICALITY

A key item in this new political strategy is an official notice issued by the State Council, China’s executive branch cabinet, in late 2014.<sup>5</sup> Although not exactly assertive in its titling, “Some State Council Opinions on Hastening Development of the Sports Industry and Promoting Sports Consumption” (《国务院关于进一步加快发展体育产业促进体育消费的若干意见》), this official pronouncement bestows the blessings of China’s highest administrative body on the expansion of the sports and fitness industry—a rapid and far-reaching expansion at that.

A much-discussed element of the document is the announced goal for the value of China’s entire sports industry to exceed Rmb5trn (US\$722.5bn) by 2025. Based on the current estimated overall market value of sports and fitness in China of Rmb1.5trn (US\$216.8bn), this indicates that the market will need to grow more than threefold to reach this ambitious target. Moreover, based on GDP forecasts by The Economist Intelligence Unit, the target further suggests that sports and fitness will contribute at least 3.4% of China’s US\$21.3trn economy by 2025.

It should be noted that China’s official GDP growth outlook up to 2020 is higher than our forecasts. By that same token, official targets to 2025 will likely reflect a proportion-of-GDP estimate by the government that is below 3.4%, derived from a projected GDP volume that will probably be higher. This means that, as a proportion of GDP, the government’s goals are probably not as high because the official forecast assumes a larger overall GDP volume.

<sup>5</sup>Guofa [2014] No. 46.



## Aiming for the big leagues

Sports-related contributions to selected economies

Global GDP rank	Country	Sports industry total value (US\$bn)	Sports industry proportion of GDP	Sports and fitness participation ratio	Data year
1	US	435.0	3.0%	63.0%	2013
2	China	216.6	1.9%	33.9%	2015
3	Japan	94.9	2.2%	50.0%	2006
4	Germany	65.2	2.3%	49.0%	2011
6	UK	53.0	2.3%	44.7%	2011
12	Australia	12.9	1.0%	33.6%	2011
14	South Korea	31.6	3.0%	41.5%	2011

Sources: *Annual Report on Development of Sport for All in China (2015)*, The Economist Intelligence Unit. China data relates to figures compiled by The Economist Corporate Network and is further described in the previous section of this report. Other country data was compiled under the auspices of the General Administration of Sport per the *Annual Report*.

Note: Most countries sports and fitness participation ratio measures average individual exercise frequency of once or more per week; Japan and Australia measure twice or more per week.

Chinese officials seem to view an ideal sports-to-GDP ratio at around 3%. Data in government publications such as the Annual Report on Development of Sport for All in China show that percentage as a desirable high benchmark. The US, China's greatest rival for economic and cultural influence, and South Korea, a neighbouring Asian country that has proved especially successful in exerting soft power through media exports and a thriving domestic sports scene, have both achieved sports-to-GDP ratios of 3%, according to Chinese government estimates.

## ECONOMIC UNDERPINNINGS

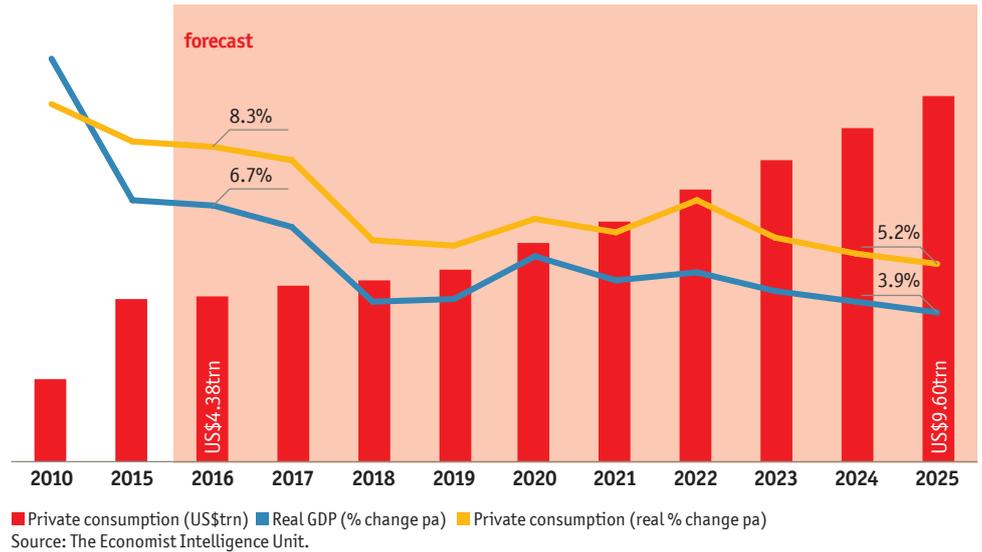
According to estimated market sizing, China's sports-to-GDP ratio currently stands at 1.9%. Considering our GDP growth forecasts and China's shift towards an economy that is driven by increasingly high levels of consumption, we view the 3% objective by 2025, for which policy makers appear to be aiming, as within striking distance.

The previous section of this report examined China's rising rates of physical activity, expanding private consumption and robust growth in related sectors, such as footwear, health and leisure. Other supportive factors include, even with our more conservative outlook for China's GDP growth, our view that private consumption growth will continue to outperform GDP growth over the government's target period. In other words, even with a decline in growth of around 2 percentage points for China's macro economy (something that we anticipate will occur by 2018), there will not be a downturn for Chinese consumers.

Another factor that bolsters China's prospects of becoming a leading sports economy comes from the rapid rise in the nation's economic mass and its proportional share of global economic output. Accelerated by entry into the World Trade Organisation

### Private consumption

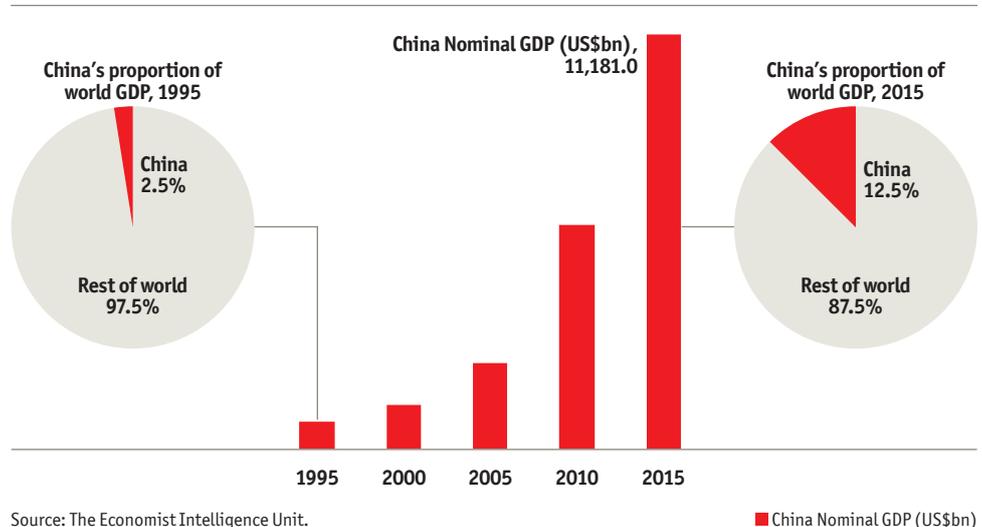
China's current and future GDP outperformer



at the beginning of this century, China's GDP has grown more than 15-fold over the past two decades. From once occupying only a small sliver of the global economy, it now accounts for nearly 13%. Now that it has caught up with the developed world in basic industries, China's economic momentum will mean it gravitates towards growing the less-developed areas of its economy, including sports and fitness. A shift towards significantly greater sports and fitness consumption is not inevitable, of course, but

### China's rapid growth GDP

Gaining mass and a bigger share of the global economy



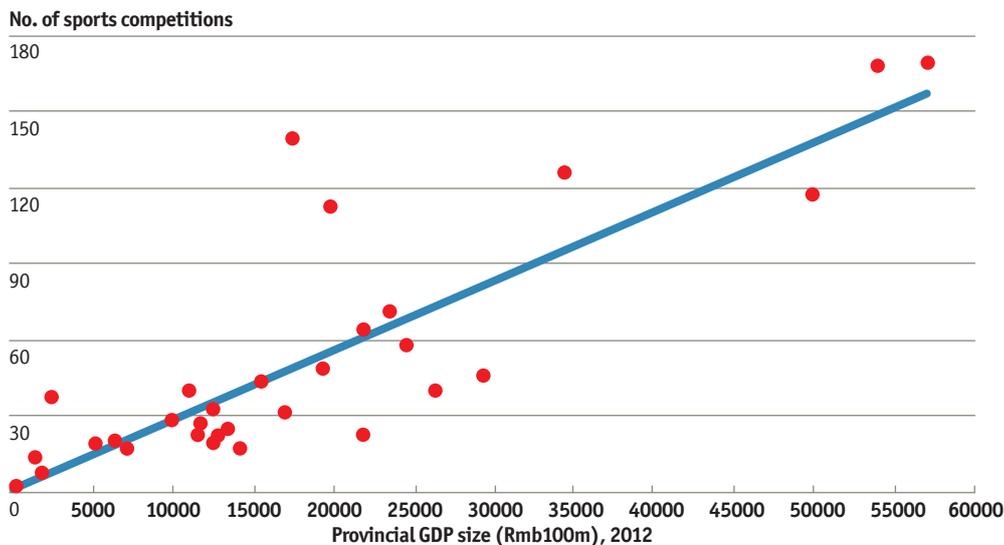


the bottom-up forces of consumer demand and top-down powers of government policy initiatives boost the probability of that happening.

Local-level statistics further brighten the outlook for China's sports industry during the country's upcoming maturing phase of economic development. Authorities have taken note of the way sporting events roughly correlate with provincial GDP size. In China, the established pattern is that the bigger a local economy, the more sporting competitions it holds. By this reasoning, as less developed Chinese provinces and metropolitan areas develop economically, their sporting activities should increase as well.

### Sports competitions in China

Bigger local economies tend towards more sports events



Source: *Annual Report on the Development of Sports Industry in China (2015)*.

### GOVERNMENT COACHING

As reassuring as the indicators are, they hardly guarantee that China's sports and fitness industry will take off in the same way that sectors such as manufacturing and construction did during preceding phases of economic expansion. It cannot be assumed that China's massive, unevenly consuming population will automatically adopt the habits of leading advanced economies and match their high levels of sports and fitness participation. Empowered Chinese consumers can just as easily put their disposable income into other premium areas, such as entertainment media, investment products, travel and luxury goods. Sports and fitness offerings must compete for consumers' cash against an ever-widening array of product and service choices.

To guide China's consuming masses in the desired direction, the government has

launched a range of directives and programmes aimed at getting the population into a sporting frame of mind. After its seminal memorandum on “Hastening Development of the Sports Industry and Promoting Sports Consumption”, the State Council launched a “National Fitness Plan (2016–2020)” in 2016, to coincide with the central government’s new national economic guidelines—the 13th Five-year Plan, covering the years 2016–20.<sup>6</sup> Within the National Fitness Plan, sports subsectors have been given their own plans, such as the “Chinese Martial Arts Five-year Development Plan (2016–2020)”.

By far the most notable of the related government initiatives to emerge is the “Chinese Football Mid-to-Long-term Development Plan (2016–2050)”.<sup>7</sup> Led by the powerful National Reform and Development Commission and including authorisations for the General Administration of Sport, the Ministry of Education and the Chinese Football Association, the plan intends for nothing less than China to emerge as a world football superpower. It bears the signs of input from China’s president and designated “core” leader, Xi Jinping (well-known as a passionate football fan), expanding on his Aladdin-like three wishes for Chinese football: for China to qualify again for football’s FIFA World Cup; for China to host a World Cup; and for China to win a World Cup. The government’s 2016 Football Plan takes those desires to an even higher level.

## GIVING FOOTBALL A KICK

As a first step, the Football Plan calls for China’s education system to assume a leading role, helping to “strengthen the base”. By 2020 it wants authorities to have established 20,000 speciality football training schools, enlisting some 30m elementary and middle (secondary) school students into the sport. On this foundation of youth participation, the plan aims for more than 50m Chinese overall to be joining in “the Beautiful Game” across 70,000 football pitches nationwide. In terms of the professional game, the document envisions the country to “foster two-to-three Asian top-ranked, world-renowned football clubs” within the same five-year time frame.

The plan’s longer-term ambitions include developing China’s notoriously poorly performing men’s national team into one of Asia’s best and for the women’s to rank among the top globally by 2030. This would improve upon the men’s current ranking of eighth in Asia and the women’s ranking of 13th in the world. By 2050 the plan intends for the men’s and women’s national teams to be globally dominant forces. This would be no mean feat, especially for the men’s team, which currently ranks 83rd in the world.

Regardless of how well Chinese football ends up performing on the global stage, it has already won an important victory by emerging as the current regime’s privileged sport. It was not that long ago that basketball, which has a major following in China, was deemed the team sport with the greatest potential. Questions have arisen about why sports such as badminton and table tennis, in which Chinese already participate *en masse* and dominate globally, have not attracted more support as platforms upon which to build up China as a sporting superpower. Another alternative could be women’s

<sup>6</sup> Guofa [2016] No. 37 (《全民健身计划 (2016–2020年)》).

<sup>7</sup> Fagai Shehui [2016] No. 780 (《中国足球中长期发展规划 (2016–2050年)》).



volleyball, a game in which China has performed well internationally over a long period and could serve as a model for other team sports to emulate.

Still, football offers its own advantages in China's push for global sporting glory. President Xi has made his personal enthusiasm for the game clear, which has mobilised officialdom (and by extension the business interests that hope to curry favour with the government power structure), but there are other reasons too why football should be China's prime target. It is, after all, the global sport, played by more people in more places than any other. It is a sport that requires little in the way of equipment or specialised facilities. And, compared with running—the one of the few genuinely universal sport that requires minimal expenditure in which to participate—football can have much more of an effect on local and national economies, generating massive commercial value. Moreover, competent performance in football does not require exceptional physical attributes, such as height, strength or endurance, making it highly suitable to promote as a sport for all.

## **SCORING INBOUND AND OUTBOUND**

Outside China, foreign players and clubs, especially those based in Europe, have already been affected by the long reach of the Football Plan as a wave of money flows in to underwrite the national objective to import talent and gain access to leagues abroad.

The Chinese Super League (CSL) started its new season in March 2016 after spending €331m (US\$351m) on foreign players during the preceding winter transfer window. That amount represented a record for China and exceeded by over 30% all the money on transfers spent by the English Premier League. CSL's 2016 outlay in fact came to only about US\$60m less than the entire amount spent on transfers by top-flight clubs in England, France, Germany, Italy and Spain, the "big five" of European leagues.

Having once been content with importing players who were less accomplished or semi-retired, Chinese teams are clearly moving up-market. Jiangsu Suning's record-setting €50m (US\$53m) for a four-year contract, given to the Brazilian Alex Teixeira, came after the 26-year-old footballer had finished the previous season with the Ukrainian Premier League as its top scorer. As a sign of China's appeal as a destination for high performers, immediately before accepting Jiangsu Suning's offer, Teixeira had turned down an opportunity to play in the English Premier League for Liverpool.

Liverpool, a five-time European Cup winner and ranked by Forbes in 2016 as the eighth most valuable football club in the world, has itself emerged as part of China's grander sports strategy. In December 2016, the Chinese state-backed financial conglomerate Everbright Group had reportedly increased its previous offer for control of Liverpool FC to £1bn (US\$1.24bn). If successfully concluded at, or close to, that price, this would represent by far the largest instance of Chinese overseas direct investment in football, or in any sport. It would also mark a several-orders-of-magnitude increase over the largest foreign football club investment from China to date: a £265m (US\$329m) cash infusion

## A league of their own

### Chinese Super League (CSL)

Teams	16
Players	Approximately 500
Average player age	26.5 years
Percentage of foreign players	18%
Total fan attendance	5.3m
Average crowd attendance	22,193
Season calendar	March - November

### CSL foreign player restrictions and non-restrictions

Maximum number of foreign players per team	5, including one from Asia
Maximum number of foreign players on the pitch	4
Goalkeeper position	Prohibited to foreigners
Maximum player wage	None
European Financial Fair Play equivalent	None

### CSL top five international transfer fees, 2016

Alex Teixeira Santos	€50m (US\$53m)
Jackson Martinez	€42m (US\$45m)
Ramires Santos do Nascimento	€28m (US\$30m)
Elkeson de Oliveira Cardoso	€18.5m (US\$20m)
Gervinho (Gervais Lombe Yao Kouassi)	€18m (US\$19m)

Sources: BBC, Transfermarkt.

Note: US\$ equivalents calculated at €1.06:US\$1

from a state-affiliated consortium led by China Media Capital and CITIC Capital for a 13% stake in Manchester City's holding company.

All told, Chinese companies have already poured some US\$1.5bn into European football, and over US\$2bn remains on offer to European clubs still being targeted. Most of the larger investments fit directly with how the Chinese government and business leaders are trying to achieve results under the 2050 plan for global dominance. Top European clubs, such as Manchester City, run highly integrated talent-development programmes that Chinese organisations can attempt to emulate, as well as send promising young Chinese players to as trainees. Chinese majority ownership of, or strategic shareholdings in, these teams can open gateways for Chinese players to start appearing in European matches. Moreover, increasing the Chinese presence in leading European leagues would give China more of a voice in the Union of European Football Associations (UEFA), increase its influence in the international football body, FIFA, and help towards achieving the goal of hosting a World Cup.

The deluge of capital and high-profile deals resembles the market bubbles in other in



other industries. Critics argue that the key for China becoming a football powerhouse is grassroots talent development, not importing foreign players and buying clubs overseas. Regardless, Chinese clubs and investors are demonstrating to the world that they can commit substantial resources towards the country's sports development plans. As long as the money lasts and football embodies the sporting world's version of the China Dream, Chinese investment in football is lined up for more scores.

### Scoring abroad

Known Chinese investment targets and completed acquisitions in European football clubs

Chinese purchaser	Targeted investment	Closed investment	Stake	Price
<b>Everbright Group</b>	Liverpool, UK			£1bn (US\$1.24bn)
<b>Sino-Europoe Sports</b>	AC Milan, Italy		100%	€740 (US\$784)
<b>China Media Capital/Citic Capital</b>		Manchester City, UK	13%	£265m (US\$329m)
<b>Suning</b>		Inter Milan, Italy	70%	€270m (US\$286m)
<b>Yunyi Guokai</b>		West Bromwich Albion, UK	100%	£150m (US\$186m)
<b>Dai Yongge family consortium</b>	Hull City, UK			£100m (US\$124m)
<b>IDG Capital</b>		Olympique Lyonnais, France	20%	€100m (US\$106m)
<b>Birmingham International (Paul Suen)</b>		Birmingham City, UK	60%<	£81.5m (US\$101m)
<b>Recon</b>		Anston Villa, UK	100%	£76m (US\$94m)
<b>Fosun International</b>		Wolves, UK	100%	£45m (US\$56m)
<b>Rastar</b>		RCD Espanyol, Spain	54%	€50m (US\$53m)
<b>Wanda</b>		Atletico Madrid, Spain	20%	€45m (US\$48m)
<b>Plateno Group/NewCity Capital</b>		OGC Nice, France	80%	€20m (US\$21m)
<b>United Vansen (Hui Wang)</b>		ADO Den Haag, Netherlands	98%	€10m (US\$10m)
<b>TechPro (Lites)</b>		FC Sochaux-Montbéliard, France	100%	€7m (US\$7m)
<b>CEFC China Energy</b>		Slavia Prague, Czech Republic	60%	Undisclosed

Sources: BBC, Bloomberg, *The Telegraph*, *Forbes*.

Note: US\$ equivalents calculated at £1.24:US\$1; €1.06:US\$1

## Fitness lifestyles

New habits and ancient traditions are making for a more active China

Heavily commercialised sports with big fan bases—football (soccer), basketball, golf, tennis, rugby, American football, baseball and cricket—drive the sports markets in most economies. With the exception of golf, their participants tend to be young, and related accessories, apparel, and other products and services tend to be targeted at younger people.

The growing worldwide popularity of physical activity—seen especially in the spread of intense fitness and body-sculpting programmes, yoga, aerobic dance and completely new fitness philosophies, such as “cross fitness”—and a basic desire to lead more active lifestyles have brought fitness pursuits to an even broader base. While following these global trends, China stands out for some of the unique ways in which it approaches lifestyle-related sports and fitness.

### PLAZA BOOGIE

An estimated 80m-100m Chinese—mainly middle aged and elderly, and almost all women—enthusiastically join in a form of dance calisthenics known as *guangchangwu*. Referred to in English as “plaza dancing”, “square dancing”, “public dancing” or, more colourfully, “dancing grannies”, the phenomenon of plaza dance aerobics is notable for its ability to induce a usually sedentary, older component of China’s population to regularly exercise. On the back of what seems much more than a passing fad, the sight of plaza dancers moving in unison to the blaring of catchy pop, folk and patriotic tunes has become a fixture in the early morning and night-time landscape of Chinese towns and cities.

In a sign of the swelling popularity of *guangchangwu*, in May 2016 China set a new world record when 31,697 plaza dancers engaged in sustained, synchronised choreographed movements across four cities. Not content with this achievement, legions of red-tracksuited older aged dancers broke their own record only six months later when 50,085 of them joined in simultaneous dance routines across 14 cities.

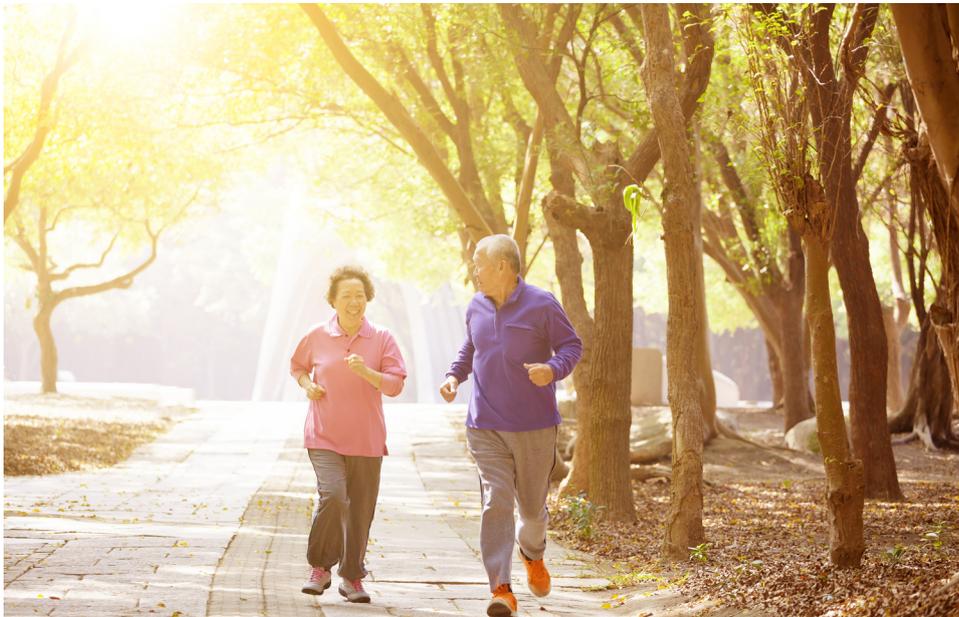
*Guangchangwu* has proven a hit with businesses and investors too. Plaza dancers need athletic wear and shoes and access to trending music. Websites with accompanying mobile phone apps such as Tangdou and 999d.com operate as



plaza dance community digital platforms. Their offerings feature streaming videos showcasing the latest styles in dance, music and fashion, along with instructional material and dance team rankings. The news website sportssohu.com estimates that six entrepreneurial firms catering to China's plaza dancing market have recently raised hundreds of millions of renminbi in growth capital. Through a rapidly closed series of A and B rounds of venture capital funding, Tangdou secured US\$20m in only four months between September 2015 and January 2016. By the second half of 2016 Wudong Shidai, a dedicated app, was finalising early-stage venture capital financing reportedly worth "tens of millions of renminbi," according to Sohu.

### Record setting

China's active elderly are its latest sports and fitness world-record holders



Source: Shutterstock.

Loved by its adherents, favoured by investors, praised by healthcare experts and guided with official dance moves promulgated by the General Administration of Sport, the *guangchangwu* movement has nevertheless attracted its share of controversy. Out of keeping with their grandmotherly image, some *guangchangwu* adherents have actually gained a bad reputation for loud, anti-social behaviour. While hardly characteristic of the dance craze overall, pockets of uncivil dancers have sparked a variety of counter measures from officials and residents. The introduction of designated "silent zones" in areas adjoining hospitals, schools and residential complexes and rules that limit public dancing to between 7am and 8:30pm are among the ways that local governments have responded. Moreover, taking matters into their own hands, some annoyed residents have reacted to brash elderly dancers with

verbal abuse and, in extreme cases, physical threats and actual violence. Inspired by the tactics and hardware of warfare, residents in the south-eastern city of Wenzhou pooled cash to purchase an expensive, military-grade loudspeaker system to counteract the *guangchangwu* music, compelling the dancers to abandon certain areas.

These negative reactions to *guangchangwu* in fact reveal how far it has evolved as a new feature of Chinese living. With practitioners, businesses, officials and residents coming to grips with what it represents and seeking means to respond in kind, frictions will probably fade away, remembered merely as growing pains. What is certain is that China's vast population will continue to age, providing *guangchangwu* with a widening pool of potential adherents and stimulus for further market development.

## OLYMPIC SPIRIT

Rigorously employing Soviet-style athletic cultivation methods, China has built up a formidable presence at the Summer Olympic Games. Since the 2004 games it has vied with the US for the most number of gold medals and has consistently managed to place second for total medals won. Through Beijing's hosting of the 2008 summer games and its upcoming hosting of the 2022 winter games, China is also managing to pull off an Olympic first: A single city has never before hosted both a summer and a winter event.

China's enthusiasm for Olympic glory is bound up in a conviction that success in the games contributes to national prestige at home and abroad. However, this soft-power strategy to feed the image of China as a strong, vibrant country, has not coincided with an increase in participation in competitive athletics. This disparity is one reason why officials have launched a long-term plan for football that targets the development of globally competitive talent as well as mass participation.

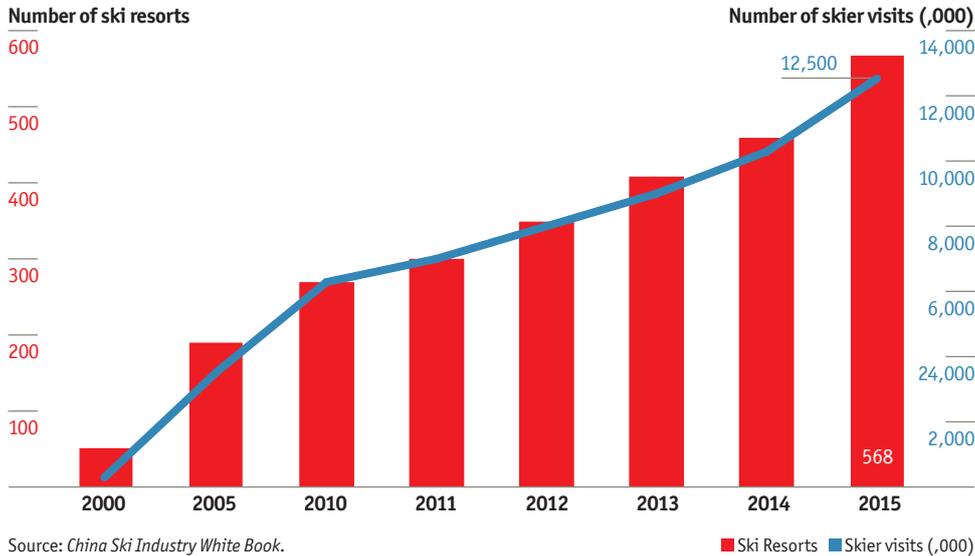
The Beijing 2022 Winter Olympics presents another opportunity for promoting sports beyond national team and athlete performances. China, which placed 11th in the Sochi 2014 winter games, is a long way off from contending for Winter Olympic supremacy. But hosting the games provides an opportunity for introducing the nation to winter sports, which have lagged in terms of popular participation even more than warm- or all-weather sports. Since 2000 China has increased its number of ski resorts more than ten-fold, to nearly 600. Yet annual skier visits remain fewer than 13m (this, in a country with a total population of 1.4bn). Figures for China skier visits fall well below the 53.9m people who, according to the US National Ski Areas Association, hit the slopes on American mountains during the 2015–16 season—an illustration of the potential scale that China could ramp up to with winter sports.

Linked with destination travel and resort vacationing, winter sports additionally can tap into growing demand for recreation from China's swelling ranks of premium consumers. Skiing and snowboarding in particular, which are still relatively niche



## Hitting the slopes

Ski resorts and skier visits in China



pursuits at present, could be on track for a much larger market presence if the 2022 Beijing games, and the newly built world-class facilities and infrastructure, bring with them a greater appreciation of and enthusiasm for downhill snow sports.

## BACK TO BASICS

Perhaps the greatest latent potential within Chinese society for promoting fitness and athleticism resides in traditional martial arts and methods for enhancing health and wellness. This subject on its own could easily fill the pages of a separate report, if not an entire book, but some key points can at least be addressed with broad brushstrokes here.

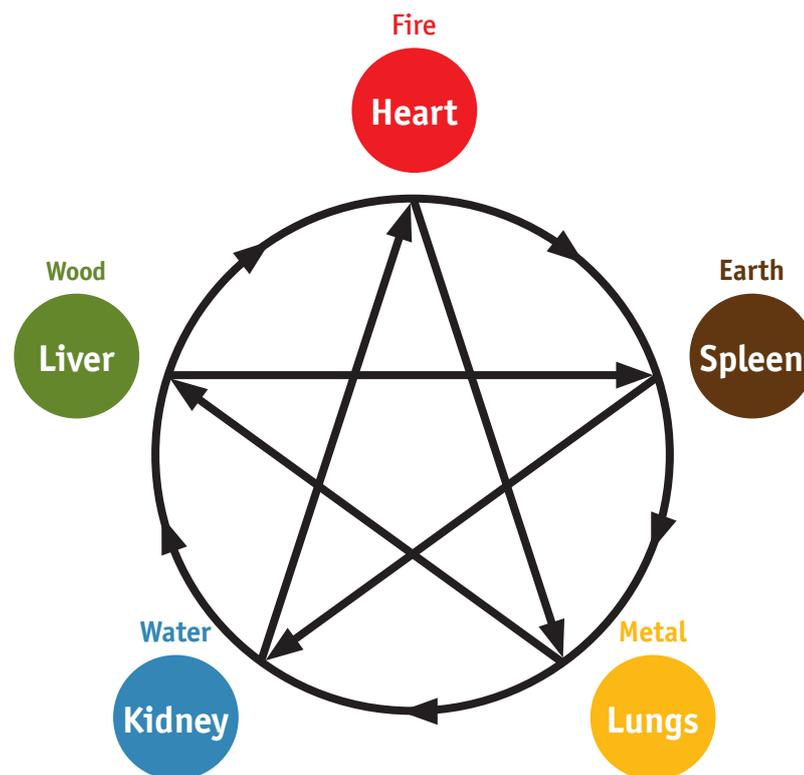
Chinese martial arts, commonly called “kung fu”, are rooted in a cosmology centred around the workings of nature and in transcendental philosophies. History credits the 5th century Buddhist monk Bodhidharma, founder of Zen Buddhism, with establishing the Shaolin-style of kung fu, the most prominent of the Chinese martial art techniques. The origins of tai chi, which can be practiced either for meditative exercise or for combat training, are less clear. Tai chi’s philosophical underpinnings stretch back even further than modern forms of kung fu. Its principles derive from the earliest Daoist writings and the foundational text of Chinese thought, the *I Ching* or *Book of Changes*.

The Chinese practice of living healthily, *yangsheng*, can be traced back to such ancient teachings, but integrates natural science, techniques from tai chi, traditional Chinese medicine and holistic dietary principles. Just as nutritional supplements, conditioning, physical therapy and sports medicine sustain athletic performance in the West, *yangsheng* has been providing foundational support for a life of physical strength, vitality and longevity in China.

In 21st century China, traditional martial arts are still practiced, as are traditional methods for health and wellness. Yet they have also fallen out of step somewhat with global trends. Internationally popular Asia-originated or inspired martial art forms, such as Muay Thai and Mixed Martial Arts, that were developed outside China, are now gaining a foothold in the country. Tai chi and yoga have much in common, but yoga has benefited from modern innovations to become the world's most popular form of meditative exercise. Tai chi still enjoys a large following in China, particularly among elderly Chinese who have not succumbed to the appeal of plaza dancing, but it is not practiced as much by younger Chinese, notably the female millennials who constitute the core of China's yoga enthusiasts.

#### It's elementary

The "Five Elements" *yangsheng* model for health



Source: *Inner Canon of the Yellow Emperor*.



This is perhaps an indication of the untapped potential of Chinese martial arts and *yangsheng*. People in China and throughout world are looking to lead healthier, more balanced lives. A revival of China's traditionally systematic, encompassing view of physical power and wellness could play a significant role in meeting such needs. Yet those ancient practices will almost certainly have to be re-imagined to appeal to modern audiences.

Along those lines, it could well be that ultimately the largest opportunity for unleashing the potential of China's sports and fitness industry is to find ways to harness underlying culturally based perceptions about physical strength, health and wellness. Traditional Chinese thinking views the human body not as a fully independent organism, but as an integral component of its surrounding natural environment. It perceives functional organs critical to physical existence as analogous to the principal elements of nature. It advocates harmonising those functions with one another. The human body, in turn, should align with the natural order in which it lives.

Such an integrated view of physicality and nature resonates with the needs of premiumised consumers who dominate developed economies and are beginning to stand at the vanguard of China's economy as well. In this respect, it could well be that, within aspects of China's traditional culture and past, lie some of the biggest clues about unlocking the nation's future potential as a global sports and fitness market.

# Conclusion

## Playing out the game

Within the span of a generation, China's position in the global economy has advanced from one principally based on low-wage manufacturing to one ever more characterised by the power of its consumers. The nation today is simultaneously making as well as purchasing in world-leading volumes items that typify modern life, from household toiletries to mobile phones to automobiles.

The notion of "power" for China's consuming masses takes on greater meaning in the realm of sports and fitness. Chinese are getting more physically active. Their rising income levels are stimulating already large sports-related segments to grow, bulking up the market's size and sophistication. The government is proactively guiding policy, participation, funding, and specific goals aimed at turning the nation into a global powerhouse.

The implications extend well beyond economics. China is not merely building up a large marketplace. It also mitigating the costs of a disproportionately ageing society and creating a healthier, more athletically inclined population overall. This makes for a country that is richer not just in terms of its material consumption, but in its physical and emotional well-being.

Such intrinsic benefits offer some of the greatest potential rewards to China's rulers, citizens and the companies operating in the market. Passion and enthusiasm, important bottom-up drivers in any industry, occupy a major role here. As more and more Chinese grow appreciative of and committed to the benefits of sports and active lifestyles, they will shape the size and nature of the marketplace. Alongside swelling consumption power, national plans, headline-grabbing transnational investments, and momentous events like the upcoming Winter Olympics, the preferences of China's sports and fitness enthusiasts are influencing how things develop. In this regard, record-setting dancing grannies are as emblematic of forward trends as are the future Chinese sports stars that the CSL is working to cultivate. China has its game on, and all variety of players are piling in.



## **ABOUT THE SPONSOR**

Established in 1994 and listed on the Main Board of the Hong Kong Stock Exchange, ANTA Sports Products Limited (stock code: 2020.HK) is one of China's leading sportswear companies. ANTA's professional sportswear includes sports shoes, apparel and accessories. With its "Single-focus, Multi-brand, and Omni-channel" strategy aimed at deepening its footprint in the sportswear market, the company's vibrant brand portfolio includes ANTA, ANTA KIDS, FILA, FILA KIDS and DESCENTE. The company's goal is to become a world-class sportswear company with the best brand reputation and largest market share.

## The Economist Corporate Network

The Economist Corporate Network is The Economist Group's advisory service for senior executives seeking to better understand the economic and business environments of key global markets.

Delivering independent, thought-provoking content, The Economist Corporate Network provides clients with the information, insight, and interaction that supports better-informed strategies and decisions. The Network is led by experts with in-depth knowledge of the geographies and markets they cover. Its membership-based operations expand across Asia, the Middle East, and Africa.

Through a distinctive blend of interactive conferences, specially designed events, C-suite discussions, member briefings, and high-calibre research, The Economist Corporate Network delivers a range of macro (global, regional, national, territorial) as well as industry-focused analysis on current and forecast trends.

Follow us on Twitter [@ecn\\_asia](https://twitter.com/ecn_asia)

**The Economist Corporate Network Asia**

Beijing, Hong Kong, Jakarta, Kuala Lumpur, Seoul, Shanghai, Singapore, Tokyo

For enquiries, please contact us at [ecn\\_asia@economist.com](mailto:ecn_asia@economist.com)

Cover image - Thinkstock