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Sports marketing in China: long game or long shot?

Is China the next frontier for sports marketing? Leagues, teams and brands are betting — some heavily — that the answer is yes.

Despite some bumpiness in its stock market, China looms as an economic behemoth with enormous potential for further growth, and companies across a spectrum of industries are devising (and revising) strategies for penetrating the Chinese market.

An unknown but potentially vast market exists in China both in terms of broadcasting overseas leagues and cultivating elite-level sports within China. Meanwhile, members of an expanding class of Chinese consumers are increasingly purchasing fitness and sports-related items, including apparel and footwear; although some Chinese companies already occupy this space, established American companies are reaping remarkable gains selling high-status brands to Chinese consumers.

Just ask Nike. In September, the company reported that its earnings in greater China had increased 30 percent since last year — representing \$886 million in sales for the quarter ending on Aug. 31 — an especially significant feat in light of the general slowdown of China's economy during that period.

China carries the potential for explosive growth, and companies engaged in sports marketing are clamoring to put down stakes — some more strategically than others. Even companies with no direct athletic “hook” are cultivating athletic programs within China as a form of brand-building corporate sponsorship, seeking to increase exposure in coveted demographic niches.

The Chinese market is certainly not without its risks. Global brands are cautiously seeking the potential upsides, while knowing that not every sports marketing investment will yield positive returns.

Media rights

One particularly hot and volatile area of sports marketing relates to media rights and broadcasting. The monopoly held by China's state-run broadcaster, CCTV, has given way to a somewhat fragmented field of Internet-based companies that stream sporting events live and on demand to a growing class of consumers armed with computers, smartphones and other mobile devices.

In short, China's enormous audience is no longer receiving all of its sporting broadcasts in real time, on television. Overseas leagues have been scrambling to fit into this evolving space, making deals with a variety of carriers that allow Chinese users to watch sporting events in streaming formats for computers, phones and other mobile devices.

Basketball has historically reigned supreme in terms of American professional sports exported to a Chinese audience. For the last several decades, the NBA has been promoting its brand in China, where basketball is not just for spectators.

In fact, an estimated 300 million people in China play the sport, so little “translation” is required to make the professional game accessible to spectators. Although former Houston Rockets star Yao Ming certainly played a role in boosting the NBA's popularity in China, the league itself has taken an active role in cultivating viewership, hosting exhibition matches and other events in a variety of Chinese cities.

Already claiming an estimated 100 million Chinese viewers, the league has expanded into the growing digital market. In January, the NBA entered into a five-year deal with Chinese online giant Tencent, with online coverage to include NBA games from preseason to the finals, as well as the all-star game, the draft and other special programming.

The partnership will also open

SPORTS MARKETING PLAYBOOK



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opportunities for a variety of interactive digital offerings, including gaming apps and merchandising.

American football doesn't enjoy the same natural fan base, but the NFL is also actively courting Chinese fans, while also investing in programs to increase exposure and develop the sport within China.

The league already makes many of its games available to Chinese viewers, having entered deals with 20 regional TV channels reaching close to 100 million viewers, as well as brokering deals to stream games online. The NFL faces different obstacles than the NBA, though, and the league is playing a “long game” by focusing energies on education and development.

Recognizing that the value of broadcasting and merchandising rights depends on creating a football-mad culture, the league is investing in grassroots development efforts. Along these lines, the league sponsors a university flag football league, runs a roster of events and deploys “ambassadors” (including NFL star players) to expand the game's reach.

These efforts may not have a perfect yield, as some fans' attention may actually be diverted from the NFL to Chinese-based football leagues

and events, but the sheer size of China's population makes for irresistible marketing math. A proportionately small increase in market share goes a long way — a 2015 report estimated that Chinese interest in the NFL has jumped from 1.7 to 7.9 percent since 2013, translating to around 30 million new fans.

Other professional teams and leagues have increasingly vied to attract a Chinese audience. From European soccer leagues to the PGA, leagues are jumping into the online streaming format with a flurry of deals with competing online platforms. For example, the Women's Tennis Association brokered a digital rights agreement valued at \$120 million with the online platform iQiyi.

The turbulence in broadcasting rights will likely settle over time, but the pace of deals suggests a degree of “musical chairs” between content providers (teams and leagues) and online providers. CCTV's ongoing role in providing professional sports content is another variable. The market may be in transition, but with so many devices and so many eyeballs, the scramble over media rights is hardly surprising.

Sponsorship and “development” efforts

Consumer brands are also looking to expand their reach

into China through sponsorship and sports development campaigns. Historically, athletics have not been a pervasive part of Chinese culture, with the government controlling athletic development programs and viewing sports to some degree in instrumental terms (for example, Olympic success).

Structurally, this is changing and with athletic development becoming decentralized, corporate sponsors have recognized an opportunity to become benefactors. While spreading their brand and corporate goodwill, companies are also helping to increase Chinese participation in sports and global

sports marketing.

For example, Spain's FC Barcelona opened a soccer school in China as part of the club's collaboration with a Chinese pharmaceutical company. Given its size, China has a notably poor soccer team, and the country is making efforts to exert "soft power" through enhanced performance on the soccer field.

Meanwhile, foreign teams and leagues recognize that talent development efforts can work to engage spectators in a way that contributes to advertisers' interests over the long term.

Develop Chinese players to a level where they are playing for

elite European squads (like basketball players excelling in the NBA), and the Chinese audience takes on a new scale and fervor.

It's not just sports teams, leagues and athletically oriented retailers like Nike that are moving into the Chinese market. For example, Audi has long been involved in sponsoring winter sports events. With Beijing now slated to host the 2022 Winter Olympics, Audi has signed on to sponsor a variety of Chinese skiing and skating teams.

Likewise, Tag Heuer has announced its partnership with the Chinese Basketball Association, supporting and

promoting development of basketball in the country.

What's the nexus between a luxury Swiss watchmaker and basketball in Chinese schools? The same nexus as between a German luxury carmaker and China's aerial skiing program. Sponsorship is always a calculated gamble, and the smart money these days is putting chips down in China.

Companies considering a global marketing campaign should consider how China might fit into that equation by looking at "where the action is" and where there may be significant play in future months and years.