

# Sportovní sektor a jeho zdroje udržitelné konkurenční výhody

## Sport Sector and its Sources of Sustainable Competitive Advantage

Sujit Chaudhuri

University of Physical Education, Budapest, Hungary  
Univerzita tělesné výchovy, Budapešť, Maďarsko

### Abstrakt

*Autor tohoto příspěvku chápe národní konkurenceschopnost tak, že sestává z konkurenceschopnosti všech druhů sektorů a odvětví do ní spadajících. Odvětví má zase členy, kteří se snaží získat a udržet konkurenční výhodu co nejdéle. Rozpoznání a účelné a efektivní využití jedinečných zdrojů a hlavních kompetencí je třeba zajistit spolu s orientací výkonu sektorů v národním hospodářství.*

*Příspěvek je zaměřen na poskytnutí komparativního vyhodnocení sportovního sektoru ve čtyřech z pěti hlavních oblastí:*

- činnosti a postupy sponzoringu
- rozvoj příjmů ze vstupného
- práva a příležitosti médií
- uvádění duševního vlastnictví na trh

*Třebaže potravinové koncese představují důležitou pátou oblast, neuvádíme je kvůli pozdějšímu výzkumu, abychom dostali náročnému úkolu hloubkové analýzy čtyř shora uvedených trendů rozvoje oblasti a hlavních klíčových výzev, jak ze sportovního sektoru učinit ještě podstatnějšího přispěvatele k národní konkurenceschopnosti a snahám o proces zlepšování mezinárodního sportu a trávení volného času. Poskytneme data k demonstraci hlavních výzev a trendů, které má vzít do úvahy každá sportovní organizace, která chce úspěšně určit, jak dostát očekávání patřičné konkurenceschopnosti formulovanému zájmovými skupinami.*

### Abstract

*It is understood by the author of this paper that national competitiveness consists of competitiveness of all kind of sectors and industries included into them. An industry in return has its members striving to obtain and maintain a competitive advantage for as long as possible. Identification and efficient and effective utilization of unique resources and core competencies has to be ensured along with alignment of performance of sectors in the national economy.*

*The paper is tending to provide a comparative assessment of the sport sector in four out of five main areas:*

- Sponsorship activities and processes
- Gate revenue development
- Media rights and opportunities
- Merchandising intellectual property

*Although food concessions are important fifth area we omitt them for later research to comply with the challenge of in-depth analysis of four above listed area development trends and major key challenges for making sport sector an even more substantial contributor to national competitiveness and international sport and leisure process improvement efforts. Data will be provided to demonstrate the key challenges and trends to be taken into consideration by any sport organization willing successfully identify how to reach appropriate competitiveness expectations formulated by its stakeholders.*

**Klíčová slova:** konkurenceschopnost, sportovní management, hodnocení.

**Key words:** Competitiveness, Sport Management, Assessment.

## INTRODUCTION

It is already a tradition to pay increasing attention to competitiveness of nations at major organizations and events such as World Economic Forum in Davos held annually. A measurement yardstick World Competitiveness Index (WCI) has been developed and applied to demonstrate its overall and specific levels in more than 140 countries.

The global sport sector is an increasingly important player within the key sectors of the world economy and an effort is made to demonstrate that it largely contributes to the various dimensions of competitiveness in global regions and nations with several linkages to factors of sustainability, efficiency and effectiveness of sport industries. The paper describes the WCI (World Competitiveness Index) model and its elements striving to identify general and specific links of the developmental features of the sport market both globally and regionally. Since it is a very broad scope of topics to cover, this analytic overview is ment to be an initial step of other, more specific research paper series focusing separately on one or more dimensions in a given sport industry.

## METHODS AND DISCUSSION

### 1 World Competitiveness Index

As it may be seen below the model consists of twelve pillars incorporated into three subindex groups(4):

- Basic requirements
- Efficiency enhancers
- Innovation and sophistication factors

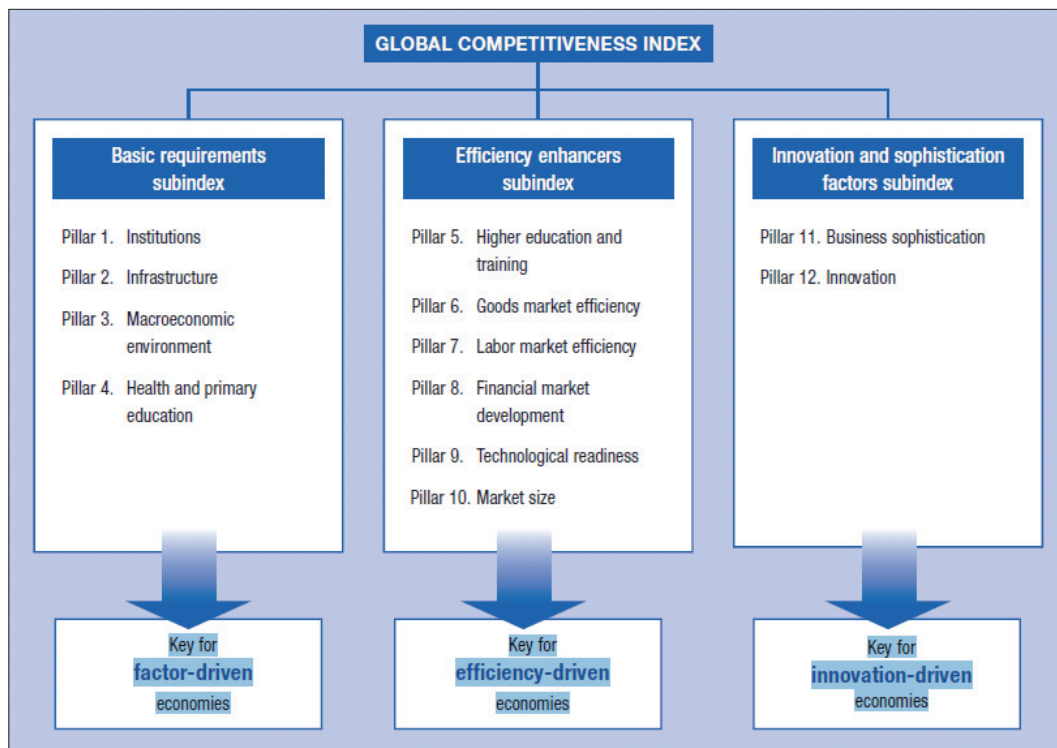
According to this typology the country competitive environments are subdivided based on the particular ratio in the stage of development into three areas:

1. Factor-driven economy
2. Efficiency-driven economy
3. Innovation-driven economy

For our region of V4 Hungary and Poland are in a transition from efficiency-driven to innovation-driven economy together with other 22 world economies, while Czech Republic and Slovakia are considered to fully belong to innovation-driven area together with other 35 economies. In comparison, 83 other world economies belong to the factor or efficiency driven area.

This means that in terms of 12 pillars the two V4 country groups have differences related to the stage of maturity of specific factor elements. This has implications for every sector including the sport sector that can be best identified with implications for specific sport industries and their organizations. Organizations are striving for scarce resources and development of further competencies supports the effectiveness and efficiency of transferring resources into successful outcomes, meeting strategic objectives and increasing the probability of obtaining and maintaining a competitive advantage in a given industry. This includes utilization, allocation and reallocation of unique resources and strong core competencies.

It is also a question of appropriate stakeholder mix and reinforcement of well chosen corporate governance mechanisms. Management science toolkit choice and usage has to also be identified with scenarios of development of competitive environments especially for organizations active in more than one related or unrelated industry. This can be successful only in case of appropriate alignment of life cycles for products (activities), organizations and industries they act in.



Source: The Global Competitiveness Report 2014–2015

## 2 The Sports Market

The global market of the sport sector gains continuously on weight and should be worth approx. 150 billion dollars within 12–18 months – for comparison it was around 100 billion 10 years ago, so we look at an impressive 50% growth indicator. Of course the largest region remains North America but EMEA is the second largest in which Middle East and North Africa is representing the most attractive growth rate. Within the BRIC market Russia is our closest neighbour with a small but significantly growing pie slice. There are four areas which have a significant impact on the state of the art of the sports market. These include (1):

### 2.1 Sponsorship activities and processes

Global revenues from sport sponsorships account for much more than a quarter of the global sports market and are almost equally split between Asia and Pacific, Americas and EMEA reaching over 45 billion dollars in 12–18 months. As sponsorship is increasingly the key of competitive advantage for sport industry organizations and major events new more efficient assessment tools development will be required in the near future.

### 2.2 Gate revenue development

Gate revenue, which in all but top events serves as an indicator of value for money, in 2010 accounted approximately for one third of the total sport market. However, we can see an uneven slow growth with peaks related to major sport events in 2010–2014 (FIFA World Cup In Africa, Cricket World Cup in India, 2012 London Olympics and Euro in Poland and Ukraine etc.) vast majority of which is generated equally by EMEA and North America.

### 2.3 *Media rights and opportunities*

Accounting for nearly a quarter of global revenue media rights generate most pie piece ratio for EMEA but lower growth is observed comparably to almost as large North American market. The quality and pace of innovative technology development will cause various platforms to maximise engagement while at the same time trying to preserve control over sports content and structure in order to enhance capitalization process.

### 2.4 *Merchandising intellectual property*

Merchandising accounts for approximately 1/7 of the global revenue but almost 3/4 of it is sourced from the regional market in North America. Although there was a dramatic reduction in sports merchandising during economic crisis it is gradually improving and generates engagement among people from different markets with different level of access to sport events. Higher engagement of consumers in return is a source of competitive advantage as it leads to higher spendings on merchandise.

Merchandising, in its simplest form, is the practice of using the branding or imagery of one 'product' in connection with the sale of another (often unconnected) product or service. In a sporting context, opportunities to exploit the commercial potential of a sporting brand are rife, with merchandising opportunities almost endless – for example, a key ring bearing the branding of a major football tournament, or a cap featuring the name and image of an athlete. Sometimes, the original rights holder (in the above example, the organiser of the football tournament) may apply its branding to its own products. However, more often than not, a rights holder will license the rights to third parties who may already produce these products, and wish to apply the rights holder's branding to its products. It is in this latter scenario where a merchandising agreement (a form of intellectual property licence) will be used.

Often the first point of commercial agreement will be how much the brand owner will receive from the licensee for the grant of the relevant licence. This is usually a royalty rate to be applied to the revenues of a licensee from the sale of products incorporating the branding, but it may also be structured as a flat fee for the right to use the branding for a certain period of time. A royalty rate can vary significantly between the brand being licensed, the product category and the territory, but as a rule of thumb can be expected to be between 10 and 15%.

The royalty model is often the preferred route as it minimises risk to both parties: a licensee knows that it only pays a royalty based on the products that it actually sells, and the brand owner shares the risk and reward of those sales. As a brand owner will often have a choice of licensees for certain territories/product categories, it may be able to further minimise its commercial risk and incentivise its selected licensees by asking licensees to guarantee a minimum level of return.

Complimentary to a specific and clear grant of rights should be protections for the brand owner to prevent the actions of the licensee from damaging the brand. Where any products are produced otherwise than directly by the brand owner, a degree of control over how the brand is used is given up. However, the impact of a poor or defective product in the market will still impact the reputation, and therefore commercial value, of the brand. This risk can be mitigated by including relevant controls in the merchandising agreement.(2)

- Quality control provisions should be included to ensure that the products produced by the licensee meet with the brand owner's standards as to design, safety, materials and construction
- Alongside quality control measures there are more general provisions that are likely to be included to protect the brand
- In the sporting world, companies pay vast amounts of money to become official sponsors and partners of sports clubs and personalities – sponsorship allows the sponsoring party to use

the sponsored party's image and branding in conjunction with its own, effectively increasing the exposure and value of the sponsor's brand through association with the sponsored party.

- The most important protection for a licensee will be a warranty (sometimes backed up by an indemnity) that the intellectual property in the branding is owned or controlled by the licensor, and is valid and enforceable.

### **3 The Valuable Sports Brands Forbes List**

The Forbes Fab 40 comprises the 10 most valuable sports brands in the world in four distinct categories: businesses, events, athletes and teams. What does it mean to be one of the 40 most valuable sports brands in the world? The brand commands a big monetary premium to comparable rivals due to a combination of its size and profitability. How that premium is measured depends on the category. Brand related sources of competitive advantage are a success for businesses, event organizers, sport teams and individuals. The listing of 2012 below shows the value of some of the impressively successful brands. (3)

#### *Businesses*

1. Nike (\$15.9 billion)
2. ESPN (\$11.5 billion)
3. Adidas (\$6.8 billion)

#### *Events*

1. Super Bowl (\$470 million)
2. Summer Olympic Games (\$348 million)
3. FIFA World Cup (\$147 million)

#### *Athletes*

1. Tiger Woods (\$38 million)
2. Roger Federer (\$29 million)
3. Phil Mickelson (\$26 million)

#### *Teams*

1. New York Yankees (\$363 million)
2. Manchester United (\$293 million)
3. Real Madrid (\$255 million)

## **RESULTS AND CONCLUSION**

In this introductory paper an effort has been made to show how the indicators in estimating global competitiveness model are designed. It has also been stated how to assess the sport sector as a global market including sponsorship, gate revenue, media rights and merchandising. The latter has been analyzed in the context of intellectual property and brand value engineering.

This should be helpful for future research into sport aspects of specific pillars of competitiveness for a particular regional or national level sport industry.

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