

## Is China the new land of football?



**Bachelor Project submitted for the  
Bachelor of Science HES in International Business Management**

by

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# Declaration

This Bachelor Project is submitted as part of the final examination requirements of the Haute école de gestion de Genève, for the Bachelor of Science HES-SO in International Business Management.

The student accepts the terms of the confidentiality agreement if one has been signed. The use of any conclusions or recommendations made in the Bachelor Project, with no prejudice to their value, engages neither the responsibility of the author, nor the adviser to the Bachelor Project, nor the jury members nor the HEG.

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Geneva, 22<sup>nd</sup> June 2017

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# Executive Summary

In recent years, China has been in the spotlight for its determination to develop a relatively unexpected industry within its boundaries, football. The idea was introduced by the current President of the People's Republic of China, Mr Xi Jinping, who intends to turn China into a top football nation. This is rather surprising considering that China has never been successful in football and has also never had a domestic football star. Thus, the Chinese government, the Chinese Football Association and local clubs have launched several considerable projects and concluded deals where large amounts of money were involved in order to help develop football in China.

The Chinese large financial investments in football have made the headlines of many newspapers, notably The Financial Times and The Economist. These investments have led the football community to wonder whether the development of football in China is worthwhile. Many football professionals mainly criticised the lack of investments in grassroots of Chinese football and the surplus of money paid by Chinese clubs to attract foreign football players. Hence, this study aims to analyse the Chinese football business model and compare it with other nations' football business models to see if Chinese financial investments in football are reasonable.

It is shown later in this document that the Chinese financial investments in football are actually guided by a well thought-out strategy. Chinese are surely financially investing a lot but when compared to other nations, Chinese financial investments in football are far from excessive. In addition, the Chinese Football Association and some Chinese football clubs have succeeded to build a strong network with top football nations and clubs in order to improve their knowledge in the sport.

The main challenge for the Chinese leaders of the national football project will be to create a football culture in China, which is essential if they want their country to succeed in this sport. The Chinese government, businesses, and national football association are already financing many projects to positively influence the growth of a football culture within the country. Nonetheless, a football culture cannot simply be bought and consequently results that are expected from this spending are not immediate.

The main recommendation for the Chinese authorities involved in the national football project is to keep investing in football youth development while controlling overspending. In addition, they need to remain patient in order to see emerging generations of local football stars that will have benefited from the investments currently being made.

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# 1. Introduction

In 2011, Xi Jinping, Vice President of the People's Republic of China at that time, made a big announcement about his willingness to develop football in China (Timmons, 2016). He stated three main goals, which were “to qualify for the World Cup, host the World Cup, and win the World Cup” (Wan, 2015). This was very ambitious considering the Chinese national team's previous performances in football. Indeed, Team China<sup>1</sup> only qualified once for the FIFA<sup>2</sup> World Cup in 2002 and the country does not seem to have much of a chance of qualifying for the next FIFA World Cup in Russia. After the first half of the group stage matches of the Qualifiers, Team China positioned itself at the end of the table in its group with zero wins and only two draws (FIFA (C), 2017). In the February 2017 FIFA/Coca-Cola Men's World Ranking, China (1.37 billion people) was situated at the 86th place, between Qatar (2.26 million people) and Kenya (44.79 million people) (FIFA (D), 2017 & CIA, 2016).

Football is considered a “painful national joke” in China (The Economist, 2011). Therefore, it is legitimate to wonder why Mr Xi is so determined to develop this sport in his country. Football development in China is in fact part of a national project to reinforce the national sports industry. Indeed, as the Chinese GDP growth rate has more than halved from 14.23% in 2007 to 6.91% in 2015, the government of China is looking for a boost for its economy in the service and entertainment industries, notably the sports industry (Sha, 2016 & The World Bank (B), 2017). In 2013, the Chinese sports industry was worth 1.09 trillion Yuan (€ 148.3 billion<sup>3</sup>) and contributed to 0.63% of the Chinese GDP with an added value of 356.4 billion Yuan (€ 48.5 billion) (Xinhua (A), 2016). A press release, published on the website of the State Council of the People's Republic of China, announced in 2016 that the national sports industry should reach a market value of more than 3 trillion Yuan (€ 408.3 billion) by the end of 2020 (Xinhua (D), 2016). The Chinese sports industry will then account for 1% of the national GDP with an estimated added value of 900 billion Yuan (€ 122.5 billion). In comparison, the US and European sports industry were estimated to represent 2% of their respective GDP, accounting respectively for about US\$ 360.7 billion (€ 326.1 billion) and US\$ 326.3 billion (€ 295 billion) in 2015 (Sha, 2016, European Commission, 2014, The World Bank (A), 2017). Within the Chinese sports development project, football is the sport that is expected to

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<sup>1</sup> The name of the Chinese national team

<sup>2</sup> Fédération International de Football Association, the highest governing body of international football

<sup>3</sup> For a better comparison, all prices are converted into Euro (€) on the average of the 2016 exchange rates found on X-rates.com.

grow the most. Until now, football in China has been lagging behind but the sport has the potential to contribute more to the Chinese economy. For example, the English Premier League (EPL)<sup>4</sup> contributed £3.36 billion (€ 4.1 billion) to the UK GDP during the season 2013/14 (EY, 2015). Thus, football alone accounted for about 0.2% of the overall UK GDP (ONS, 2017). On top of that, the EPL generated £2.4 billion (€ 2.9 billion) as tax receipts during the same season and employed 103,354 people. With about 21.3 times more people and a land area around 38.5 times larger than the UK, football can turn into a very lucrative industry in China (CIA, 2016).

The two main stakeholders that are driving the football development project in China are the Chinese government and local businesses. The Chinese State plays more a role of an influencer whereas Chinese businesses provide the financial support to help develop football in China. However, these two stakeholders are driven by different objectives. The Chinese government sees football as a soft power tool and a way to increase patriotism whereas businesses see this sport as a way to increase their visibility and generate profits. Thus, the first prioritises the generation of local stars and national success when the latter cares more about generating profits as soon as possible, regardless whether profits are generated, directly or indirectly, by foreigners. Hence, the main challenge for the development of football in China is to find a common ground where achievements will satisfy these two stakeholders as well as Chinese people.

The first objective of this study is to define the Chinese football business model by looking at the different types of revenues and costs generated by this sport in the country. In this study, the Chinese football business model is mainly compared with that of the top five European football nations<sup>5</sup>: England, Spain, Germany, Italy, and France. The Chinese football business model is also compared with the US football business model<sup>6</sup>, as the football industry is also growing in North America even if it is not the most popular sport. These comparisons help examine the Chinese football business model compared with its competitors and see if there are deficiencies. The second objective of this study is to assess the opportunities and challenges of the development of football in China in order to determine whether or not football can turn into a lucrative industry for the local economy.

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<sup>4</sup> The highest British football league

<sup>5</sup> The top five European nations are the only European nations that have ever won the FIFA World Cup. The top-tier football leagues of these nations are also considered as the top five European football leagues and generate the largest revenues in football worldwide.

<sup>6</sup> The US football league, the Major League Soccer, includes Canadian teams

## 2. Typology of the football business model

There are two types of competitions in football, the ones with national teams and the ones with clubs. However, in both cases the business model is the same. Financial benefits depend a lot on a team's success on the field. Mr Stefan Szymanski, Professor of economics and co-author of the book *Soccernomics*, mentioned during his interview for the Case Business School: "the [football] business model works really on the basis that you want to succeed on the field in order to generate a bigger fan base in order to generate more revenue" (Szymanski, 2010). The reason is that the majority of revenues in football are derived from broadcasting rights and sponsorship. For example, the top five European leagues generated a € 5.8 billion revenue<sup>7</sup> from broadcasting and € 3.4 billion from sponsorship<sup>8</sup>, which corresponded respectively to 48% and 28% of the overall top five European leagues revenue in 2015 (Appendix 1, p.64). Moreover, the top five European federations generated a revenue of € 673 million from broadcasting and sponsorship in 2015, which represented 63% of the total revenue that the five federations have generated (Appendix 2, p.64).

In terms of costs, it is slightly different between national teams and clubs. Wages is by far the major cost for football clubs. Salaries represented 63% of European clubs' costs in 2015 with € 10.6 billion (UEFA (A), 2015). This amount was split between players, coaches, staff and personnel but the main part went to football players. For example, it can be estimated that about 55% of the top five European Leagues wages came from salaries paid to players (Appendix 3, p.65). On top of that, transfer fees have taken a bigger part of clubs' costs since 2012. Indeed, the total spending on international transfers has increased from US\$ 2.71 billion (€ 2.45 billion) in 2012 to US\$ 4.79 billion (€ 4.33 billion) in 2016 (FIFA (E), 2017). On the other hand, the major expenditure of national teams goes to salaries of coaches, staff and personnel. The players selected in the national team are not always paid. If players receive money from their national team, they only receive bonuses. In addition, national teams do not have transfer costs.

Hence, a football association of any country survive thanks to the revenues generated by its national teams and the financial contributions of its leagues. In return, a football association uses the money received from its national teams and clubs to pay its personnel and redistributes the surplus to support the development of football in its country.

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<sup>7</sup> The revenue of the leagues is cumulated by their respective clubs

<sup>8</sup> Including commercial and merchandising

Every country has developed itself differently in football. To date, there is no perfect way to develop football in a country. Nonetheless, there are two main areas for a country to focus on when improving itself in football, youth development and the top-tier league. Improving football youth development in a country allows the production of local skilled football players that can play in the local leagues and possibly in the national teams. This will benefit more the national teams as the best players may be willing to play in a foreign league that is more attractive than the local league. Developing the competitiveness of the top-tier league of a country will attract and gather the best football players of the world in the league. This will be more advantageous for clubs as it will be easier for them to purchase the best players, not only local ones but also foreigners. A country can choose to develop the two areas at the same time but, by looking at the two examples below, it is better for a country to favour one of the two.

The Belgium football association's blueprint has focused more on youth development and the creation of a clear and standardized football philosophy within the Belgian national teams (James, 2014). Indeed, Mr Michel Sablon was appointed as the federation's technical director after the elimination of Belgium at the 1998 FIFA World Cup in France in order to put in place a plan to improve performances of the Belgian national football team. Thanks to his plan that focused on youth development, Belgium has been producing football stars these last few years. This has completely changed the statue of Belgium in football and now the country is among the top football nations worldwide. Indeed, in 2009, the Belgian national team was ranked 66<sup>th</sup> in the FIFA World ranking, its lowest position ever, to then reach the 1<sup>st</sup> position in 2015 (Appendix 4, p.65). Nonetheless, the Belgian first football league was ranked in average at the 12<sup>th</sup> position in the UEFA ranking of European football leagues from 2002 to 2017 (UEFA (C), 2017). In addition, there is only RSC Anderlecht who won a European trophy in 1983 but that was only the UEFA Cup, which was the second-tier European cup (UEFA (D), 2017).

Football development in England was characterised by the separation of the first division from the lower divisions and the creation of the Premier League in 1992 (Radnedge, 2017). This change was financially very profitable for the clubs playing in the top-tier league, notably with the sale of the league's TV rights to Sky. Thus, the EPL is now the football league that generates the highest revenue worldwide and is even profitable, which is not the case for every football league (Appendices 1 & 6, pp.64 & 66). However, the national team of England has not won any major title since their victory at the 1966 FIFA World Cup (FIFA (G), 2017). In addition, the English national football team has been positioned in average at the 10th place of the FIFA ranking since its creation and its best position was 4th in 1997 (Appendix 5, p.66).

### 3. The evolution of football in China

Before looking at the current Chinese football business model, it is interesting to look at the evolution of football in China in order to better understand the place that this sport occupies in the modern Chinese society.

China claims to be the world's first country to have ever played a sport similar to football (The Economist, 2011). "Cuju" or "kick ball" was apparently played during the Han dynasty in the 2nd century BC. Two teams composed of twelve men faced each other with the objective of throwing a ball in a single elevated net. Over time, "Cuju" disappeared and by the 19th century it was completely replaced by an English modern "Cuju", the so-called football. This sport was presented to Chinese as a foreign sport but it drew attention notably from the political leaders Mao Zedong and Deng Xiaoping.

Modern football in China was first fully controlled by the government but, at the beginning of the 1990's, the state decided to allow corporate investments in football and let some Chinese football clubs work like commercial ventures (The Economist, 2011). However, like in any activity in China, the government kept a certain level of control. Chinese football stars began to earn higher salaries but still less than their counterparts in Europe. Football became a professional sport in China in 1994 when the Jia-A League was introduced (Lee & Fort, 2015). The league was led by a tough competition between clubs owned by state-run companies and clubs owned by private companies. The richest investors injected large amounts of money into their respective club in order to outperform competitors. At one point, investing money in football clubs was not enough to generate success therefore some investors started to fix games in order to satisfy their desire for victory.

Match-fixing in China was also strongly pushed by gambling syndicates (The Economist, 2011 & Lee & Fort, 2015). Eventually, scandals of match-fixing and gambling became public and had a negative impact on football in China. In addition, the scandals became more widely known just before Team China's first participation in a FIFA World Cup finals in 2002. The elimination of the national team without scoring a single goal was probably the final blow to Chinese football (FIFA (B), 2017). Many corporates decided to withdraw their investments and sponsorships in Chinese football clubs, which led to salary cuts for football players and made them even more vulnerable to gambling syndicates.

The Chinese Football Association (CFA) decided that the league needed to be reformed in order to meet higher standards of professionalism and rebuild a positive image of football in China (The Economist, 2011 & Lee & Fort, 2015). In 2004, the Jia-A League

turned into the Chinese Super League (CSL). The Chinese government continued to put an emphasis on eradicating match fixing from Chinese football. Many players, referees and officials were sent to prison for match fixing (Cao & Gong, 2013). Notwithstanding, some clubs benefited from a favourable treatment from the CFA and this led again to scepticism about the integrity of the national federation. For example, Shanghai Shenhua FC and Tianjin Teda FC got caught in match fixing scheme, but were penalised only with a six points deduction from their season, instead of demotion to the second division, which was the typical sanction for cheating Chinese teams, like for Guangzhou FC in 2009. People in China who criticised the way the CFA was managed were mainly pointing out the lack of agreement from the higher levels of administration, which could be explained by the fact that many high positioned people in the federation did not have the skills required for their position. Indeed, some of the CFA's officials were part of the Chinese government bureaucracy and many of them had no idea how to oversee football or indeed any sport. They were part of the Chinese Football Administration only because of their links with the communist party and political connections.

In 2009, new scandals of match fixing surfaced and the CSL was reformed again (The Economist, 2011 & Lee & Fort, 2015). Anew, many officials of the federation, the leagues and clubs were arrested and replaced by a new administration. This reform along with the Chinese economic growth financially benefited Chinese football. Indeed, for the growing middle class in China with higher disposable income, tickets to sporting events became more affordable. In addition, as Chinese companies were doing better, businesses that owned clubs or new entrepreneurs could inject more funds in this sport. One of the most noticeable examples was the takeover of Guangzhou FC by the Evergrande Real Estate Group. From the 1990s to 2009, this club was involved in many match fixing and gambling scandals, such as in the "Black Whistle" scandal<sup>9</sup>, and was relegated to the second division in 2009. However, three years after the takeover in 2010, the club went from the second division to the first place of the Chinese Super League and also won the Asian Football Confederation (AFC)<sup>10</sup> Champions League in 2013, which is the most important football competition for clubs in Asia. The last and only time another Chinese club, Liaoning FC, won the Asian Champions League was in 1990 but that was before the competition was reformed in 2002 (Worldfootball (B), 2017). Guangzhou FC, which is now known as Guangzhou Evergrande Taobao FC, imposed itself as one of the best Asian football clubs and has won every single CSL title since

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<sup>9</sup> Probably the biggest scandal of match-fixing in China

<sup>10</sup> The highest governing body of Asian football

2011 as well as another time the AFC Champions League in 2015 (Worldfootball (A & B), 2017).

The financial investment by Jiayin Xu in Guangzhou FC not only had a positive effect on the club but it has also attracted other companies to invest in Chinese football clubs (The Economist, 2011 & Lee & Fort, 2015). Thus, R&F Properties, one of the largest real estates in Guangzhou as well as competitor of the Evergrande Real Estate Group, decided to purchase the other club of Guangzhou, Shenzhen Phoenix. The club was renamed Guangzhou R&F FC and created a rivalry on and off the pitch. Moreover, the CSL started to open its doors to foreigners and many players as well as coaches from other countries were integrated into Chinese football. Most of the foreign players or coaches were offered very competitive salaries, much higher than what they could ever earn in Europe.

In 2007, the FIFA reported that 26.2 million Chinese people played football, which accounted for almost 10% of the total number of football players worldwide at that time (FIFA (B), 2007). Therefore, it is legitimate to wonder why Team China has not been able to form a team of eleven players that can compete in football at a world stage. Many theories have been advanced to explain the problem. First, Rowan Simons explained in his book, *Bamboo Goalposts*, that traditionally Chinese politics and culture went against team sports. For example, gatherings of more than ten people were forbidden therefore forming a football team was not the easiest task (Gibson, 2016). In 2011, a mid-level functionary in China's State security apparatus also confessed that Chinese politics interfered with the development of football in China. "You know all those problems with society that you like to blame on China's political system? Well it really is like that with football." (The Economist, 2011). The Chinese government favoured more individual sports, like table tennis or gymnastics, and notably provided good coaches, facilities and travel funds for these sports which led to success in the Olympics (Tsuchiyama, 2010). The Economist added that, in term of opportunity costs, the Chinese government was more willing to invest in individuals who could win several medals in a competition whereas in football a team can only win a medal or a cup. The British magazine also calls into question the way sports talents are selected and treated in China. Indeed, young athletes are identified depending on their physical attributes, which can work in athletics, but does not necessarily work for football. In this sport, physical aspects do play a role but it is not the most important factor of success. For example, the current best player, Lionel Messi (in competition with Cristiano Ronaldo), is only about 1.70 meters tall and is far from having the body of a Greek athlete (Transfermarkt (C), 2017). His predecessor, Diego Maradona, was of a similar stature with his 1.67 meters tall

(Transfermarkt (B), 2017). Then, as we saw previously, corruption really tarnished the image of football in China. Even though the Chinese government and football association have made a point of fighting corruption in football, some Chinese people still link football with the “Black Whistle” scandal and consider playing football as “da jiaqiu” (“playing fake ball”) (The Economist, 2011). For this reason, families do not want their child, which is likely to be their only one because of the Chinese one-child policy, to waste time in a dirty sport that may have a bad influence on him/her. Moreover, the strict Chinese educational system leaves little free time to enjoy extracurricular activities. Therefore, knowing that football is not the most popular sport in China, a majority of Chinese children choose another sport if they want to practice a sport in their free time. Another reason why young Chinese decide to practice different sports is the fact that there is a serious shortage of football pitches in China. Finally, the ex-manager of Guangzhou Evergrande Taobao FC, Lee Jang-soo, coached for a long time in China and also has his own point of view on why Chinese football players are not successful. He mentioned that Chinese players are not hard-working enough. He added that “perhaps all they think of is to establish good relationships with their superiors. Most clubs are like this. It's mainly about connections, not hard work.” (The Economist, 2011).

Since the creation of the FIFA ranking, Team China has been positioned on average at the 73<sup>rd</sup> place in the world (FIFA (D), 2017). By considering only the average ranking of countries in the Asian Football Confederation (AFC), Team China is not even a main competitor in Asia, as the country is still behind the football national teams of Japan (34<sup>th</sup>), Korea Republic (39<sup>th</sup>), Iran (46<sup>th</sup>), Australia (49<sup>th</sup>), Saudi Arabia (54<sup>th</sup>). Team China is at the same level of the national team of Uzbekistan, who has also been positioned on average at the 73<sup>rd</sup> place, but this country has never participated in any FIFA World Cup. As a reminder, no Asian country has ever won a FIFA World Cup. Therefore, Xi Jinping’s dream to see Team China win the FIFA World Cup remains very ambitious.

## 4. The Chinese football business model

### 4.1 The structure of Chinese football

The Chinese Football Association (CFA) is the main governing body of Chinese football. It is supervised by the Fédération Internationale de Football Association (FIFA) and more directly by the Asian Football Confederation (AFC). FIFA is the international governing body of football and AFC is in charge of supervising football in Asia (FIFA, 2016 & AFC (A), 2017). The CFA must “always comply with the statutes, regulations and decisions of FIFA” and AFC (FIFA, 2016). The CFA is headed by Cai Zhenhua, a former table tennis player who is also chairman of the table tennis association, badminton association, as well as a member of the State General Administration of Sports (AFC (B), 2017 & China Vitae, 2017). Mr Cai is supported by the CFA’s vice president & general secretary Mr Zhang Jian and six other vice presidents. The CFA is a non-profit making association that oversees its national teams, leagues, cups and referees, which implies that most of its revenue must be used to manage and develop Chinese football. This association is also supposed to be non-governmental but all the CFA governing members have a link with the Chinese government, which raises questions about the independence of the CFA from the State (Van de Ven, 2017). For example, the Chinese government recently expressed its discontent concerning the way Chinese clubs were spending large sums to purchase foreign players. Right after, the CFA decided to release an 18-point plan, reviewing its policy on foreign players just before the start of the season (Pitt-Brooke, 2017).

**Figure 1 – The governance structure of Chinese football**



The Chinese Super League (CSL) is the top football division in China and is headed by Mr Ma Chengquan (Conway & Lockwood, 2016). The CSL is a limited company under the umbrella of the CFA and is funded by its shareholders, the sixteen clubs under its direction (CSL, 2017). The top five European football leagues are also funded by their clubs but they have different corporate structures. The EPL, Bundesliga<sup>11</sup>, and Serie A<sup>11</sup> are privately held companies whereas the Ligue 1<sup>11</sup> and La Liga<sup>11</sup> are associations (Companies House, 2017, Bundesliga, 2017, Lega Serie A, 2017, LFP, 2017, Bloomberg, 2017). Clubs either act as shareholders or members of their respective league. The Major League Soccer (MLS)<sup>11</sup> is a limited liability company and clubs must pay a franchise to be able to play in the league (MLS, 2017).

Chinese clubs are mainly private companies owned by one or two Chinese companies (Appendix 7, p.67). Some of the companies owning a Chinese club are still directly linked to the local government. Guangzhou Evergrande Taobao FC was the first Asian football club to be listed on the stock exchange market (Bland, 2015). In comparison, there are various types of ownership in European football. The four main sorts of club ownership in Europe are: privately owned by a rich investor, publicly owned by external companies, ownership as a majority by the club itself (minimum 51% of the club's shares) and the rest of the shares acquired by external companies, and finally ownership by fans (Callow, 2010). In the US, clubs are owned by private companies.

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<sup>11</sup> Bundesliga: the top German football league, Serie A: the top Italian football league, Ligue 1: the top French football league, La Liga: the top Spanish football league, and MLS: the top North American football league

## 4.2 The money flow in Chinese football

The CFA generates its revenue from its national teams, leagues and cup. This study focuses only on the CSL as well as Team China because there is no financial information available for the Chinese Football Association Cup. In addition, Team China and the CSL are the two largest sources of revenue of the CFA. The major part of CFA's revenue comes from Team China while only ten percent of the CSL's revenue from broadcasting and sponsorship is handed over to the CFA (Xinhua (C), 2016). The CSL's revenue is generated by its sixteen teams. For both Team China and the CSL, their revenue comes mainly from broadcasting rights and sponsorship.

The CFA must pay its personnel and staff with the revenue generated by Team China and the CSL. Then, the association must decide how it will redistribute the rest of its revenue among the national teams and local leagues. The CFA will also provide financial support to projects that will help the development of football in China. The CSL must also redistribute some of its revenue to its clubs, notably the revenue from the broadcasting rights of the league.

Figure 2 – The money flow in top-tier Chinese football<sup>12</sup>



<sup>12</sup> The red arrows show how the money flows in Chinese football

## 4.3 The revenue structure of Chinese football

### 4.3.1 Demand for football in China

It is important to define the Chinese football fan base because, as mentioned before, the more supporters there are, the more broadcasting companies and sponsors will be interested to financially support Chinese football.

China already has a large football fan base despite the fact that football is not the most popular sport in the country. According to Nielsen's three years research, 31% of the Chinese urban population aged from sixteen to fifty-nine years old are interested in football (Nielsen, 2016). The most popular sports in China are basketball, table tennis, badminton, and swimming with respectively 40%, 37%, 36% and 34% of the urban population from sixteen to fifty-nine years old interested. Nonetheless, the popularity of football has grown steadily during the three years of studies conducted by Nielsen studies, which may come from the fact that the Chinese government and the CFA have put a lot of effort to develop this sport in China.

By looking at the overall TV audience of the FIFA World Cup, we can see that there are already a lot of Chinese people willing to watch football. During the 2006 FIFA World Cup Germany, the number of Chinese viewers was estimated to account for almost one-fifth of the overall FIFA World Cup's TV audience (FIFA (A), 2007). During the 2010 FIFA World Cup South Africa and 2014 FIFA World Cup Brazil, the largest share of TV viewers came again from China with respectively 328.7 million and 252.2 million people reached<sup>13</sup> (Appendices 8 & 9, p.68) (Kantar Sport, 2010 & Kantar Media, 2014). The decrease of Chinese viewers from 2010 to 2014 was largely due to the less favourable time zone of Brazil compared to South Africa for China. Notwithstanding, the number of Chinese TV viewers was far above other countries figures in the two World Cups mentioned. The second country with the largest TV audience during the two World Cups was Brazil with 157.5 million audience reached in 2010 and 164.6 million in 2014, respectively 171.1 million and 87.7 million people less than China.

In addition, Chinese football fans have regained interest in local football. For example, CSL's TV audience increased from 267 million people in 2014 to 400 million people in 2015, according to Wild East Football (Wild East Football, 2015). Thus, CSL TV viewership was higher than the English Premier League in China. Previously, the English Premier League was the football league the most watched in China with 350 million

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<sup>13</sup> People that watched a game more than twenty consecutive minutes

people during the season 2014/2015 (Yutang Sports, 2015). Chinese football fans are also more interested in the national team's performances. For example, the Chinese record of TV audience for a single football match was broken by a game of Team China. A total of 95 million viewers were recorded on various Chinese broadcasters for the quarterfinals of the AFC Asian Cup against Australia (ESPN Staff (A), 2015).

#### *4.3.2 Team China broadcasting and sponsorship revenue*

In 2015, broadcasting rights of Team China were acquired by Ti'ao Dongli, a sports broadcasting company under the umbrella of the state-backed company China Media Capital, for four years (Yutang Sports & O Diobhilin, 2016). Thus, broadcasting revenue amounted to 70 million Yuan (€ 9.5 million) the first year and is supposed to increase year by year until the end of the contract.

The CFA decided to establish a standard partnership deal for Team China in 2015 (Yutang Sports & O Diobhilin, 2016). Hence, the presenting partner must pay a minimum of 50 million Yuan (€ 6.8 million), official sponsors 20 million Yuan (€ 2.7 million), official suppliers 10 million Yuan (€ 1.4 million). When Yutang Sports and O Diobhilin published the article in May 2016, Team China relied on Changan Ford as the presenting partner, Nike, Yanjing Beer, Continental Tire, Gionee and Skyworth as the official sponsors, and China Ping An Insurance and Coca Cola as the official suppliers. Considering that Nike agreed to pay 100 million Yuan every year (€ 13.6 million), Team China should have received 250 million Yuan (€ 34 million) in 2016 from its sponsors (Yutang Sports & Sina, 2015).

#### **Total Team China broadcasting and sponsorship revenue in 2016<sup>14</sup>:**

**320 million Yuan (€ 43.5 million)**

The amount earned by Team China in 2016 does not compete yet with the broadcasting and sponsorship revenue generated by each of the top five European football federations (Appendix 2, p.64). Indeed, the lowest amount was € 80 million generated by the Italian and Spanish football federations in 2015. Moreover, European national football teams played the UEFA EURO 2016 in France and this should have boosted their respective broadcasting and sponsorship revenue in 2016 compared to 2015. Notwithstanding, the broadcasting and sponsorship revenue presented above only takes into consideration the Chinese first national men's football team revenue whereas other federations take

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<sup>14</sup> Considering that broadcasting revenue has not changed since 2015

into consideration other sources of revenue, like other national teams (women and youth) as well as the revenue from their national cup for clubs. Notwithstanding, Team China already earned more than what all United States national football teams generated in term of broadcasting and sponsorship in 2016. Indeed, US national football teams gathered US\$ 45 million (€ 40.7 million) from sponsorship, television, licensing, and royalties, which is € 3.5 million less than what the top-tier Chinese national men's team alone generated from broadcasting and sponsorship (USSF, 2017).

#### *4.3.3 CSL broadcasting and sponsorship revenue*

CSL broadcasting rights fee has taken a new dimension since 2016 after that Ti'ao Dongli agreed to pay 8 billion Yuan (€ 1.1 billion) to acquire the CSL broadcasting rights during the next five years (Xinhua (C), 2016 & Ho, 2015). Thus, Ti'ao Dongli accepted to pay 1 billion Yuan (€ 136.1 million) the first two years and 2 billion Yuan (€ 272.2 million) the next three years. It is a risky bet taken by the company knowing that the CSL TV rights only accounted for 50 million Yuan (€ 6.8 million) in 2015 and the second highest bid represented half of the sum paid by Ti'ao Dongli (Clover, 2016).

In addition, CSL received 520 million Yuan (€ 70.8 million) from its ten sponsors and suppliers in 2016 (Xinhua (C), 2016). The CSL title sponsor, Ping An Insurance, agreed to pay 170 million Yuan (€ 23.1 million) (Goal, 2014). The seven other main sponsors, Nike, Ford, JD.com, Carlsberg, DHL, and Red Bull, paid 250 million Yuan (€ 34 million) (Sports Sohu, 2016). Finally, the two official suppliers of the CSL, Shell and Tag Heuer, supported the league with 100 million Yuan (€ 13.6 million).

#### **Total CSL broadcasting and sponsorship revenue in 2016:**

**1,520 million Yuan (€ 206.9 million)**

If sponsorship revenue does not change during the next years, the CSL broadcasting and sponsorship revenue will be worth 2.52 billion Yuan (€ 342.9 million) between 2018 and 2020 thanks to the deal with Ti'ao Dongli. Nonetheless, the question raised by Mr Wilson, founding editor of Wild East Football and quoted several times in articles related to Chinese football, is to know "how much of this TV rights money actually ends up with the clubs", (Clover, 2016).

The CSL revenue from broadcasting and sponsorship is still far below the ones from the top five European leagues (Appendix 1, p.64). Ligue 1, which is the league that earned the less from broadcasting and sponsorship among the top five European leagues,

generated € 935 million from these two components during the season 2014/15. Even the estimated CSL revenue from broadcasting and sponsorship between 2018 and 2020 is € 592.1 million lower than Ligue 1's revenue. However, compared to non-top five European leagues broadcasting and sponsorship revenues during the financial year 2015, CSL is only below the Turkish, Russian, and Dutch football leagues (Appendix 10, p.69). Considering the estimated revenue between 2018 and 2020, the CSL revenue from sponsorship and broadcasting would even exceed the one from the Dutch league. Moreover, CSL already earns more from broadcasting and sponsorship than MLS, as the North American League generated about US\$ 50 million (€ 45.2 million) from broadcasting and US\$ 45 million (€ 40.7 million) from sponsorship in 2014 (Szymanski, 2015). Even by adding the estimate revenue of US\$ 48 million (€ 43.4 million) that MLS teams could generate with individual sponsoring, MLS revenue from broadcasting and sponsorship would still be € 77.6 million lower than the CSL revenue from broadcasting and sponsorship.

#### *4.3.4 Match day revenue*

Match day revenue is the third most important component of revenue in football. For example, it accounted for 17% of the top five European Leagues revenue in 2014/15 with a value of € 2.1 billion (Appendix 1, p.64). Within match day revenue, the major part comes from ticket sales therefore the next paragraphs focus on gate receipts revenue of the CSL and Team China.

The CSL still has plenty of room to grow in this domain. Even though the average full capacity of CSL football stadiums is already higher than four of the top five European Leagues and the MLS average total stadium's capacity, Chinese clubs struggled to fill their stadium in 2016 (Appendices 11 & 12, pp.69 & 70). Stadiums utilisation in CSL was at the same level than in Serie A with 52%. The worst example in CSL in terms of stadiums utilisation in 2016 was Hangzhou Greentown, which had a stadium capacity of 51,000 seats but only welcomed an average of 11,723 supporters during the season, representing only 23% of the total stadium's capacity (Transfermarkt, 2017). Notwithstanding, Chinese clubs could compensate their low attendance in stadium with a good ticket pricing strategy. For example, the EPL is the football league that generates the most revenue from match day as the league had on average the most expensive tickets and also the highest total attendance during the season 2014/15 (Appendix 13, p.71). Indeed, with ten games a day during thirty-eight match days, the total EPL attendance in 2014/15 was about 13,741,940 people. Even if Bundesliga had a higher

average attendance per game, the league only contains eighteen teams, which implies that the total attendance of the season 2014/15 was about 13,061,610 people. However, the high attendance per game in Bundesliga compensated the German league's low average ticket price and therefore Bundesliga generated more revenue from match day than La Liga. In the opposite way, Serie A compensated its low attendance in stadiums with a higher average ticket price and earned more from match day than Ligue 1.

The challenge in China is that, as Mr Bland and Mr Clover mentioned in The Financial Times, ticket prices remain still too low to generate a descent revenue from match day (Bland & Clover, 2016). The last data concerning ticket prices in CSL was published in 2013 by Wild East Football (Bcheng, 2013). Taking the median between the highest and lowest season ticket prices as well as individual match ticket prices, a CSL season ticket in 2013 cost 542.7 Yuan (€ 73.9) and an individual match ticket 97.9 Yuan (€ 13.3) (Appendix 14, p.72). Knowing that there are thirty match days in a CSL season, the season ticket price per game was worth on average 18.1 Yuan (€ 2.5) in 2013. Calculating the average between the season ticket price per game and the individual match ticket price, a CSL ticket cost on average 58 Yuan (€ 7.9) in 2013. Thus, considering that the average ticket price for a CSL game has not changed since 2013, the CSL clubs' cumulated revenue from gate receipts can be estimated. During a CSL season, eight matches are played during thirty match days, which means that 240 matches are played during a CSL season. With an average of 24,162 spectators per game, the total CSL attendance in stadium in 2016 was about 5,798,880 people (Transfermarkt, 2017). This figure multiplied by the average ticket price per game gives:

**Total CSL match day revenue in 2016:  
336 million Yuan (€ 45.7 million)**

Compared to the top five European Leagues and MLS, CSL match day revenue is far from being competitive (Appendix 13, p.71). The second league with the lowest revenue from match day is MLS but the North American league match day revenue is still € 61.2 million higher than the CSL one. Nonetheless, the CSL match day revenue only considers ticket sales and means that the figure displayed above is potentially higher when other sources of revenue from match day are added.

Ticket sales is also an important revenue stream for national football teams. Indeed, the top-tier German national men's football team alone generated € 7.2 million from tickets sales (DFB, 2016). The French football federation gathered € 20.1 million from ticket sales in 2015 with the majority of this amount coming from the first team (FFF, 2015). There is no data concerning how much Team China generates from ticket sales but

stadium attendance of the Chinese national football team can already be analysed. After the first seven games of the 2018 FIFA World Cup Russia qualifiers, the average attendance for Team China matches was about 41,102 people per game, which is almost the double of the 24,162 average attendance during the 2016 CSL season (Appendix 15, p.73). However, on average, there were only 34,214 people in stadiums for the Team China home matches and 50,285 people for the away ones. Considering that there are on average 16,701 fans more in away games, it can be deducted that Team China is still struggling to attract local fans to watch the national team games in a stadium. In comparison, Iran, leader of the group after the first seven games, had a lower attendance average during the first seven games with 36,641 persons per game but had a much higher average attendance at home with 57,305 people per game (FIFA (C), 2017 & Goal, 2017). Thus, if Team China ticket prices are the same as for CSL games, gate receipts revenue of Team China should not be very high.

#### *4.3.5 Revenue of international competitions*

Football clubs and national teams can increase their revenue by participating in international competitions. Chinese football clubs performing well in the AFC Champions League, the most prestigious Asian cup for clubs, can benefit from a prize money increase that was concluded in 2016 (Appendix 16, p.74). The winners of the AFC Champions League earn henceforth a cumulated prize revenue of US\$ 3.4 million (€ 3.1 million) compared to US\$ 1.75 million (€ 1.6 million) in 2015. The AFC Champions League runners-up will also profit from the prize money increase as they now earn US\$ 1.5 million (€ 1.4 million) compared to US\$ 750 thousand (€ 678 thousand) before. Thus, Shanghai SIPG and Shandong Luneng received US\$ 200 thousand (€ 180.8 thousand) each for reaching the quarterfinals of the 2016 AFC Champions League (Soccer 24 (A), 2017).

#### **Total International competitions revenue of CSL clubs in 2016:**

**2.65 million Yuan (€ 360.6 thousand)**

AFC Champions League's winners still earn eleven times less than their counterparts in Europe as the winners of the UEFA<sup>15</sup> Champions League accumulate a revenue of € 35.5 million from the round of 16 to the victory. This amount increases to € 57.2 million if prize money from the group stage of the competition is included<sup>16</sup>, which is eighteen

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<sup>15</sup> Union of European Football Association, the highest governing body of European football

<sup>16</sup> Considering that the winners won all their group stage games

times more than what the AFC Champions League winners win. Nonetheless, the winning price of the AFC Champions League is the second highest amount for a top Confederation Cup for clubs together with the winning price of the CONMEBOL Copa Libertadores (Appendix 17, p.74).

Chinese clubs playing the AFC Cup, the secondary Asian Confederation Cup for clubs, can also benefit from a prize money increase concluded in 2016 (Appendix 18, p.75). Thus, the winners of the AFC Cup will earn a cumulative revenue of US\$ 1.08 million (€ 976.3 thousand) compared to only US\$ 350 thousand (€ 316.4 thousand) before. Anew, this number is very low compared with the € 9.85 million earned by the winners of the secondary European Cup for clubs from the round of 16 to the victory. Moreover, adding the group stage prize money and considering that the winners win all their group matches, this number reaches € 15.71 million, which is sixteen times more than what the Asian winners will earn with the AFC Cup. In 2016, no Chinese football club benefited from the AFC Cup revenue as no one reached the round of 16 of the competition (Soccer 24 (B), 2017).

The Chinese national football team could also increase its revenue by participating in international competitions. Indeed, if Team China had participated at the 2014 FIFA World Cup, it would have added US\$ 8 million (€ 7.2 million) to the national team revenue (Appendix 19, p.76). In addition, prize money is expected to rise again for the 2018 FIFA World Cup Russia (Appendix 20, p.76). Thus, a simple participation in the 2018 FIFA World Cup will add US\$ 10 million (€ 9 million) to the Chinese national team revenue. However, national teams cannot earn the FIFA World Cup every year as the competition is only played every four years. Team China could compensate with a revenue from the Asian confederation cup but there is no prize money for the AFC Asian Cup for the moment (Fox Sports, 2015). In comparison, the prize money of other confederation cups are listed below (UEFA (B), 2015, Rick, 2016, Akwei, 2016 & Ozanian 2015):

- UEFA Euro 2016: € 301 million shared by twenty-four participants
- CONMEBOL Copa America 2015: US\$ 10 million (€ 9 million) shared by twelve first teams
- CAF African Cup of Nations 2017: US\$ 6 million (€ 5.4 million) shared by the two first teams
- CONCACAF Gold Cup 2015: US\$ 2.75 million (€ 2.5 million) shared by twelve first teams

#### 4.3.6 Total revenue of CSL clubs

There is no official report about the revenues of Chinese clubs but Forbes listed the top ten richest Chinese clubs in 2016 and mentioned their revenues. Thus, Guangzhou Evergrande Taobao led the list with a US\$ 57 million (€ 51.5 million) revenue, which was US\$ 20 million (€ 18.1 million) more than what Shanghai SIPG generated in 2016 (Appendix 21, p.77). Liaoning Whowin, the last club of the list, made a US\$ 14 million (€ 12.7 million) revenue in 2016. This amount is four times less than the revenue of Evergrande. Hence, the ten Chinese richest clubs generated a cumulated revenue of US\$ 281 million (€ 254 million) and an average revenue of US\$ 28.1 million (€ 25.4 million) per club. In comparison, the average clubs revenue in 2014/15 of the EPL was € 220 million, Bundesliga € 132.9 million, La Liga € 102.7 million, Serie A € 89.6 million, Ligue 1 € 70.9 million. These figures are all much higher than the average revenue of the ten richest Chinese clubs.

However, some European leagues total revenue are boosted by few rich clubs. For example, by withdrawing the richest clubs found in Deloitte Football Money League 2014/15 from their respective league, the average clubs revenue of the EPL would be € 131.5 million, Bundesliga € 94.5 million, La Liga € 43.4 million, Serie A € 57.8 million, and Ligue 1 € 49.3 million (Appendix 22, p.78). Therefore, without considering the richest clubs, Guangzhou Evergrande Taobao total revenue in 2015 was already competitive in Ligue 1 as well as in La Liga.

When Chinese clubs revenue are compared with the ones of Ligue 1, there are already five Chinese clubs that could be competitive in the French football league in term of revenue (Appendix 23, p.79). On the other side of the Atlantic, the ten richest MLS clubs generated a cumulated revenue of US\$ 376 million (€ 339.9 million) and an average revenue of US\$ 37.6 million (€ 34 million) in 2015 (Appendix 24, p.80). Accordingly, the CSL clubs cumulated revenue in 2015 was US\$ 95 million (€ 85.9 million) lower than the MLS clubs cumulated revenue and, on average, a Chinese club revenue was US\$ 9.5 million (€ 8.6 million) lower than a MLS club. When CSL and MLS clubs are ranked together by revenue, only three Chinese clubs, Guangzhou Evergrande Taobao, Shanghai SIPG and Jiangsu Suning, are positioned in the first half of the table against seven American clubs (Appendix 25, p.81).

## 4.4 The cost structure of Chinese football

### 4.4.1 CFA expenditure and costs

The expenditure of the CFA in Chinese football development amounted to 462 million Yuan (€ 62.9 million) in 2016 and other costs to 86 million Yuan (€ 11.7 million) (Wanxia (B), 2017). Therefore:

**Total CFA expenditure and costs in 2016:**

**548 million Yuan (€ 74.6 million)**

European football federations total expenditure and costs are all higher than the Chinese one. Indeed, the English Football Association total expenditure and costs accounted for £ 299 million (€ 366.1 million) in 2015, the German FA for € 224.6 million, the French FA for € 218.7, the Italian FA for € 149.5 million, and the US FA for US\$ 109.8 million (€ 99.3 million) in 2016 (The FA, 2015, DFB, 2016, FFF, 2015, FIGC & Deloitte, 2016, & USSF, 2017).

However, the CFA decided at the end of 2016 that the 2017 financial budget for football development in the country would be 670 million Yuan (€ 91.2 million), which is an increase of 45% compared with the 2016 total expenditure (Wanxia (B), 2017). In comparison, the English Football Association decided to allocate £ 117 million (€ 143.2 million), out of its total expenditure to support football development within the national boundaries, which is € 52 million more than what the Chinese FA 2017 financial budget. Therefore, supposing that costs will not change in 2017, the CFA total expenditure and costs should reach 756 million Yuan (€ 102.9 million) next year and thus be closer to other national federations total expenditure and costs.

The CFA 2017 financial budget for football development in the country was decided to be distributed in the following way (Wanxia (B), 2017). The biggest share, which amounts to 186 million Yuan (€ 25.3 million), is supposed to support football teams representing China. This was planned to pay for the organisation of training sessions, competitions and coaches' wages as well. The other major part of this budget with 121 million Yuan (€ 16.5 million) should be used to back youth and women football training. The budget in 2016 for youth football training only amounted to 30 million Yuan (€ 4.1 million) (Yutang Sports & Sina, 2016). If decisions are respected, CFA expenditure for youth and women football development in 2017 will be close to what the US Football Federation allocated to youth national teams and player development in 2016, as the American Federation spent US\$ 21.6 million (€ 19.5 million) in this field. The CFA decided to allocate 33 million Yuan (€ 4.5 million) for coach trainings and to hire experts, both domestic and foreign,

to raise football standards in the country. In addition, 88 million Yuan (€ 12 million) should be used to support major national competitions, with a part going to Chinese second- and third-tier leagues. The remaining 243 million Yuan (€ 33.1 million) was planned to finance for other expenses, like promotional fees, operational costs and investments in the National Football Training Centre.

#### *4.4.2 CSL players' salaries*

Total players' salaries of the 2016 CSL was worth about US\$ 366.7 million (€ 331.5 million) for 473 players, which makes an average annual salary of US\$ 775,358 (€ 700,928.4) per player (Sporting Intelligence, 2016).

#### **Total players' salaries in CSL in 2016:**

**2,440 million Yuan (€ 332.1 million)**

Spending on players' salaries have surged in 2016 compared with the preceding years (Appendix 26, p.82). Indeed, even added together, 2013 and 2014 average annual salaries per player do not reach the average annual salary per player in 2016. Nonetheless, the 2016 CSL average annual wage per player was still lower than the ones in the top five European Leagues (Appendix 27, p.82). Indeed, a football player earned on average US\$ 1.7 million (€ 1.5 million) in a club of the top five European Leagues in 2016/17, about 2.2 times more than in the CSL. On the other hand, the CSL average annual salary per player was already higher than the MLS one, as the latter only reached US\$ 313,438 (€ 283,349.9) in 2016, and was also higher than the one in the Japanese League, as the average annual salary per player in the J-League was US\$ 211,880 (€ 191,540.8) the same year. In 2016, Shandong Luneng was the Chinese club that paid on average the highest salary to its players with an average annual salary of about US\$ 1.9 million (€ 1.7 million) (Appendix 28, p.83). There were only thirty-one football clubs worldwide that had a higher average annual salary per player than Shandong Luneng that year (Sporting Intelligence, 2016).

At the bottom of the CSL average annual salary per player ranking, Yanbian Funde was the club with the lowest figure with US\$ 123,337 (€ 111,497.4) (Appendix 28, p.83). As a result, a player of Shandong Luneng earned on average 15.8 times more than a player of Yanbian Funde during the season 2016 (Appendix 29, p.84). The ratio between the highest paying club and the lowest one is clearly lower in the MLS and EPL with respectively 5.2 and 6.1. Nonetheless, the CSL ratio is far from the ones of Ligue 1 and La Liga, as they respectively reached 21.5 and 20.7.

Even though CSL salaries have been increasing for the last few years, the major part is paid to foreigners. Considering the eighteen highest paid football players in CSL in 2017, no one is from China (Appendix 30, p.85). Moreover, these eighteen players gathered a cumulated salary of € 232.5 million, which accounted for about 70.1% of CSL total salaries in 2016 (Sporting Intelligence, 2016). The CSL total salaries has probably increased again in 2017 as Carlos Tevez, Oscar, Alex Witsel and Ezequiel Lavezzi made their apparition in the CSL this year, amounting together to € 91.9 million in salary. The Chinese club paying the highest salaries is probably not Shandong Luneng anymore, as in the top eighteen highest paid players in CSL in 2017, only Graziano Pellè belongs to the club and costs € 15 million per year. In comparison, Shanghai SIPG must pay € 72.7 million for its players in the top eighteen list and Shanghai Shenhua € 49.5 million, which is respectively more than four and three times than what Shandong Luneng must pay to Graziano Pellè. However, paying high wages for football superstars is not uncommon in the world of football as it is the main way to attract and retain good players. Thus, it is not surprising to see that the top five European Leagues are the ones spending the most on players' wages. Indeed, the top five European Leagues wages represented 70% of all the European Leagues wages in 2015 (Appendix 31, p.86). Moreover, we can see a strong correlation between wages and performances as the top four teams of every top five European Leagues are the ones spending the most on wages in their respective league (Appendices 32 & 33, p.87). Thus, 48.4% of the total wages of the top five European Leagues came from the four first clubs of each league during the season 2014/15. In addition, paying large amount of money for foreign football superstars is also not uncommon in the world of football. Indeed, among the twenty highest paid football players worldwide, only one player, Wayne Rooney, is paid by a club of the same nationality (Appendix 34, p.88). In this top twenty list, Chinese clubs are the ones paying the most their players with a total annual salary of € 179.2 million, representing 47% of the total annual salary of the top twenty highest paid football players in the world (Appendix 35, p.89). Nonetheless, the CFA is now willing to stop the increase of salary paid to football players, notably foreign ones, by installing a salary cap (Knowlton, 2017). This decision came after that the government set off the alarm bells concerning the rise in football players' salaries in the CSL, which questions again the independence of the CFA from the Chinese State.

#### 4.4.3 CSL transfers

In recent times, Chinese clubs have made headlines several times notably for the large sums of money they paid for foreign football players. Thus, (FIFA (E), 2017):

**Total CSL transfers net expenditure in 2016<sup>17</sup>:  
2,930 million Yuan (€ 398.7 million)**

Considering only total expenditure on transfers, the amount spent by CSL clubs to purchase football players has increased from € 25.3 million in 2013 to € 408 million in 2016, which represents a 1,512.6% increase (Appendix 36, p.89). In addition, from 2015 to 2017, transfer fee record in China has been broken every year (Panja, 2015, Cantillon, 2016, Church (B), 2016, Guardian Sport, 2016):

- 2015: Ricardo Goulart - € 16 million
- 2016: Hulk - € 55.8 million
- 2017: Oscar - £ 52 million (€ 63.7 million) to £ 60 million (€ 73.5 million)<sup>18</sup>

Transfer spending increased rapidly in 2016. Indeed, the transfer record was broken three times before the transfer of Hulk (Church (B), 2016). The transfer of Paulinho to China was worth £ 25 million (€ 30.6 million), the transfer of Jackson Martinez £ 31 million (€ 38 million) and the transfer of Alex Teixeira £ 38.4 million (€ 47 million). Therefore, it is not surprising to see a € 255.9 million increase in China total spending on transfers from 2015 to 2016 (Appendix 36, p.89). Hence, China was the fourth country worldwide spending the most on transfers of football players. In comparison, France and the USA spent respectively € 220.2 million and € 385.2 million less than China in 2016 (Appendix 37, p.90). China could turn transfer costs into transfer receipts, as France and Spain did in 2016 with a respective positive result of € 222.5 million and € 41.4 million, but China total transfer receipts was still € 398.5 million lower than its total spending on transfers.

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<sup>17</sup> Transfer net expenditure means the difference between transfer total spending and total receipts. This figure represents transfer expenditure of all Chinese clubs but as these sums are spent mostly for CSL players, this study considers China transfer expenditure to be the same as the CSL one.

<sup>18</sup> The exact amount is not known

## 4.5 Profit and loss statements of Chinese football

### 4.5.1 CFA Profit and Loss statement

Ruihua Certified Public Accountants, the company that audits CFA's accounts, confirmed that the CFA total revenue was worth 764 million Yuan (€ 104 million) in 2016 and total expenditure and costs 548 million Yuan (€ 74.6 million) (Wanxia (B), 2017). Hence, the CFA generated a **216 million Yuan (€ 29.4 million) profit before tax**<sup>19</sup>. Some football federations, even though they are non-profit making organisations, generate a net profit at the end of a year mainly when they plan to spend more the following year for a particular reason. For example, the CFA projects to spend 45% more in 2017, meaning 208 million Yuan (€ 28.3 million), to support the development of football in China. On the other hand, the association only forecasts an increase of 2% (16 million Yuan - € 2.2 million) in revenue. In other terms, CFA's operating profit in 2017 should amount to 24 million Yuan (€ 3.3 million) if costs remain the same as in 2016. In comparison, the EFA made a £ 19.8 million (€ 24.2 million) operating profit in 2015, the DFB a € 6.8 million operating profit, the FIGC a € 17.9 million operating profit, the FFF a € 10.5 million operating profit, the EFE a € 13.7 million operating profit and finally the USSF a US\$ 15.5 million (€ 14 million) operating profit in 2016 (The FA, 2015, DFB, 2016, FFF, 2015, FIGC & Deloitte, 2016, EFE, 2016, & USSF, 2017).

### 4.5.2 CSL Profit and Loss statement

The CSL made an **operating loss before tax of 3,663.35 million Yuan (€ 498.5 million)** in 2016. However, generating a loss in football leagues is not an uncommon practice. It is shown in Appendix 6, p.66 that none of Ligue 1 and Serie A were profitable from 2010 to 2015<sup>20</sup>. Without the loss on transfers of players, the CSL loss accounted for 733.35 million Yuan (€ 99.8 million) in 2016, which is already less important than the € 133 million loss of Serie A in 2014/15. Moreover, when transfers of players and other external charges are included in the EPL, the British league only started to be profitable from the season 2013/14 (Appendix 38, p.90). The MLS clubs generated a combined annual loss before tax of US\$ 146 million (€ 132 million) in 2014, without transfers of players (Szymanski, 2015). This amount is € 32.2 million higher than the 2016 CSL operating loss without transfers.

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<sup>19</sup> Without depreciation, financial charges and taxes

<sup>20</sup> Without considering transfers of players

**Figure 3 – CFA Profit and Loss statement 2016\***

<b>Revenues:</b>	
Team China broadcasting and sponsorship	320 million Yuan (€ 43.5 million)
Contribution from CSL**	152 million Yuan (€ 20.7 million)
Other revenues	292 million Yuan (€ 39.7 million)
<b>Total revenues</b>	<b>764 million Yuan (€ 104 million)</b>
<b>Expenses:</b>	
CFA Expenditure	462 million Yuan (€ 62.9 million)
CFA Costs	86 million Yuan (€ 11.7 million)
<b>Total expenses</b>	<b>548 million Yuan (€ 74.6 million)</b>
<b>Profit / Loss Before tax:</b>	
<b>CFA Profit in 2016</b>	<b>216 million Yuan (€ 29.4 million)</b>

\*Based on the estimation provided previously this study.

\*\*10% of CSL broadcasting and sponsorship revenue (Xinhua (C), 2016)

**Figure 4 – CSL Profit and Loss statement 2016\***

<b>Revenues:</b>	
Broadcasting and sponsorship	1,520 million Yuan (€ 206.9 million)
Match day	336 million Yuan (€ 45.7 million)
International competitions	2.65 million Yuan (€ 360.6 thousand)
<b>Total revenues</b>	<b>1,858.65 million Yuan (€ 252.9 million)</b>
<b>Expenses:</b>	
Contribution to CFA**	152 million Yuan (€ 20.7 million)
Players' salaries	2,440 million Yuan (€ 332.1 million)
Transfers	2,930 million Yuan (€ 398.7 million)
<b>Total expenses</b>	<b>5,522 million Yuan (€ 751.5 million)</b>
<b>Profit / Loss Before tax:</b>	
<b>CSL Loss in 2016</b>	<b>3,663.35 million Yuan (€ 498.5 million)</b>

\*Based on the estimation provided previously in this study.

\*\*10% of CSL broadcasting and sponsorship revenue (Xinhua (C), 2016)

## 5. Opportunities and challenges in the development of football in China

### 5.1 Introduction

The Chinese government together with the CFA are trying to influence the growth of a football culture in China through different projects. During our interview, Mr Chadwick, Professor of Sports Enterprise & Co-Director of Centre for Sports Business at Salford University Manchester and quoted several times in articles related to Chinese football, said that he believes China has the potential to become a major player in football thanks to its “top-down and bottom-up investments, allied to a willingness to learn” (Appendix 43, p.95). In addition, he mentioned that, compared to other countries that have tried to compete with the traditional football nations, China is rather different as the country is rich, centrally coordinated, and with a clear intent. In comparison, he said that USA was overly market-led, Qatar is too small, and Russia has too many issues to deal with.

The development of football in China requires considerable financial investments and a single government, even the Chinese one, does not have the capacity to provide the necessary support. Thus, the involvement of private businesses in the Chinese football project is crucial. Mr Chadwick underlined that, under the Chinese communist regime, local companies are very likely to follow the State’s decisions and this is an advantage for football development in China (Sha, 2016). Indeed, many powerful Chinese businesses are already very committed to the realisation of Xi’s dream. Nonetheless, this wave of investments has been pushed by the Chinese government, which notably provides financial support to companies taking part in the national football project. The local government promises beneficial fiscal and financial regulations, land supply, favourable planning and tax reduction to companies that financially invest in the development of Chinese football (Xinhua (B), 2016). These benefits have been attractive especially for real estate companies. Thus, out of the nineteen companies owning stakes in a CSL club, eight are real estate companies (Appendix 7, p.67).

At the end, what will really help the development of football in China is the performances of local teams on the field. The more competitive they will be, the more people will be interested to follow them and hence more revenue could be generated out of Chinese football. For that, what the CFA needs to do, which has been pointed out by many professionals who have an interest in Chinese football, is to develop a football culture in China. For example, there are still not enough Chinese children playing football in the streets (The Economist (A), 2016). Football played in the streets is where young children develop skills and creativity, which are both missing in China. In comparison, street

football is the trademark of Brazil and therefore the country has produced an enormous amount of skilful and creative football players, which led the country to be the only nation for the moment to have won the FIFA World Cup five times.

This SWOT analysis presents the strengths and weaknesses of Chinese football and also the opportunities and challenges that may encourage or slow down the development of football in China. The main important points of this analysis are explained more precisely on the following pages.

**Figure 5 – SWOT analysis of Chinese football**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>- Largest population in the world, already a large local football fan base even though football is not the most popular sport in the country</li> <li>- Relatively rich, ready to invest (heavily) in football</li> <li>- Supported by the Chinese government and businesses</li> <li>- Partnerships with strong football nations, clubs or specialists</li> <li>- Succeeded in attracting football stars that still had the level to play in the highest-level clubs</li> <li>- Experienced foreign coaches</li> </ul>	<ul style="list-style-type: none"> <li>- No football culture</li> <li>- Lack of football knowledge</li> <li>- Bad image of football in China</li> <li>- Bets and match-fixing</li> <li>- Lack of space for children to play football</li> <li>- Lack of creativity</li> <li>- Oppressive government</li> <li>- Decision makers are not always the ones with the proper knowledge or background</li> <li>- Expenditures to please Xi Jinping</li> <li>- Foreign football players that are paid higher than what they are worth and do not perform well</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>- Host and participate in a FIFA World Cup</li> <li>- New partners that have knowledge of football</li> <li>- Foreign businesses to sponsor Chinese football and clubs</li> <li>- More competitive teams in Asia in order to have more attractive continental cups for nations and clubs</li> <li>- Increase of attractiveness of international cups for clubs</li> </ul>	<ul style="list-style-type: none"> <li>- Other countries that compete with traditional football nations that could become more attractive than China for football players</li> <li>- No more financial support from businesses because they do not generate the profit they expected</li> <li>- Money invested in Chinese football from crooks</li> </ul>

## 5.2 Support from the Chinese government

In its quest to develop football, China can count on a strong support: Mr Xi Jinping. Considered by Forbes as the fourth most powerful person in the world in 2016, Mr Jinping ascended to the presidency of China in 2012 (Forbes, 2017). The General Secretary of the communist party of China is known to be a fervent football fan and he is pushing people in his government to participate in the project of turning China into a “world football superpower” by 2050 (BBC, 2016). In 2015, Xi Jinping set up and ordered the Central reform leading group, China’s highest governmental decision-making body on sports matters, to define new reform plans that will boost the development of football in China (Meyer, 2015). The Central reform leading group came up in 2015 with a 50-point reform plan which was addressed to all people’s governments of provinces, autonomous regions, municipalities, all departments under the State Council and all subordinate institutions (Wilson, 2016). This plan was mainly divided into four different areas to be improved: domestic game, international success, social reform, and business opportunities (MacInnes, Baxter, Shaw Di-Doi, 2017). In 2016, they came up with a new plan with three clear targets: “clarifies the football pitch construction for per capita allotment, allows favourable financial and taxation policies to support football clubs and calls for football culture cultivation nationwide” (Xinhua (B), 2016). One of the main points of this plan is to have 0.5 to 0.7 pitch available for every 10,000 persons by 2020 and one pitch per 10,000 persons by 2030. It is also planned to have 20,000 football academies in China by the end of 2020 in order to have 30 million elementary school and middle school students playing the sport and subsequently a total 50 million people active in football. By 2025, the number of football academies in China could reach 50,000 and potentially involve even more Chinese people in this sport (Wang, 2016).

## 5.3 Support from Chinese businesses

### 5.3.1 Local investments

In 2011, the real estate company Wanda Group, a conglomerate of commercial properties, culture, Internet and finance, decided to grant 500 million Yuan (€ 68 million) to the Chinese Football Association mainly to improve youth development and find a new coach for the national team (Zhe & Xiangfeng, 2011 & Wanda Group, 2017). A potential reason why the Wanda Group decided to make such a donation could be that the company was already investing in a field that the future president was willing to develop. Since then, many other companies have backed Chinese football. Local companies sponsoring the highest levels of Chinese football were displayed previously but some other companies have decided to provide support to lower levels of Chinese football, by taking over clubs for example.

As mentioned before, the Evergrande Real Estate Group was the first big company that invested in a Chinese football club after the 2009 reform. Since then, many other companies have followed. Thus, three Chinese companies ranked in the Fortune Global 500<sup>21</sup> list owned a Chinese club in 2016 (Fortune, 2016 & Appendix 7, p.67). These companies were CITIC Group #156 with US\$ 55.9 billion revenue (€ 50.5 billion), Greenland Holding Group #311 with US\$ 33 billion revenue (€ 29.8 billion), and Evergrande Real Estate Group #496 with US\$ 21.1 billion revenue (€ 19.1 billion). It is interesting to see that Alibaba, founded by the billionaire Jack Ma, decided to join forces with Evergrande Real Estate Group and bought 50% stake of Guangzhou Evergrande FC for 1.2 billion Yuan (€ 163.3 million) in 2014 (Clover, 2014). In 2016, the Wall Street Journal published a measurement based on a publication from the Beijing exchange that valued the club at US\$ 3.4 billion (€ 3.1 billion), making it the most valuable club in the world (Jie, Areddy, & Xie, 2016). In 2017, the Chinese real estate company Sinobo Land acquired 64% of Beijing Guoan FC for US\$ 514 million (€ 464.7 million), leaving the 34% remaining to the financial services company CITIC (SCMP, 2017). This purchase put the value of the freshly renamed Beijing Sinobo Guoan FC at US\$ 807 million (€ 729.5 million), according to the Hong Kong stock exchange, making the club more valuable than Atletico Madrid, Inter Milan, and many others according to KPMG's football clubs' valuation (KPMG, 2016).

Clubs that allow their acquisition by a rich investor show the biggest revenue increase in a short period of time. Indeed, the rich investor can bring his personal funds and also

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<sup>21</sup> This list ranks worldwide public companies per total revenue

attract more sponsors thanks to his network of contacts. So, it is not a surprise to see that Guangzhou Evergrande has the highest revenue in the CSL as the club was taken over by the two giants Evergrande Real Estate Group and Alibaba. In Europe, the two most representative recent examples of how a takeover by a rich investor can change the economic situation of a club are Manchester City FC (Man City) and Paris Saint-Germain FC (PSG). The British club was taken over in August 2008 and PSG in June 2011. Both clubs' revenues were about five times higher in 2016 than their revenues before being taken over by the rich investor (Appendix 39, p.91). They were also respectively the fifth and sixth football clubs generating the most revenue in the world in 2016 (Deloitte, 2017). Indeed, Man City and PSG were known to have generated a € 524.9 million and € 520.9 million revenue respectively.

Moreover, these takeovers have generally a positive impact on clubs' results as well. The three clubs mentioned previously, Guangzhou Evergrande, Man City and PSG, have all positioned themselves among the best teams of their respective league after being taken over (Appendix 40, p.91). On top of that, Guangzhou Evergrande went from the second Chinese division to title holder of the Asian Champions League only three years after being taken over by the Chinese real estate company (The Economist, 2011 & Lee & Fort, 2015).

Nonetheless, investments in a football club by rich people or companies have not always finished well. Football is filled with stories of clubs that went bankrupt even though they were directed by a rich investor or a group of investors. Taking as an example Servette FC and Neuchâtel Xamax, two long established Swiss football clubs, they were both acquired by a rich tycoon and then went bankrupt as well as relegated to the amateur league (Visentini, 2012 & Le Matin, 2012).

In the CSL, companies do not hesitate to rename the club and change the logo in order to have the company's name highlighted. Indeed, in 2016, fifteen of the sixteen CSL teams had the name of their parent company integrated into the club's name (Appendix 7, p.67). The only club without the parent company name incorporated into the club's name was Beijing Guoan but, after that Sinobo Group acquired stakes in the club, the team was renamed Beijing Sinobo Guoan FC (Transfermarkt, 2017). In addition, many clubs have changed their logos and colours mainly to be visually closer to the parent company. For example, eight very different logos, in terms of colour and form, can be found of Guangzhou Evergrande Taobao FC on Transfermarkt. Changing the club's logo and colours for a business purpose is generally not well accepted by the fans of the club. The fans of Shanghai Shenhua already protested in 2014 against their

owner for having incorporated the company's name into the club's name and changed the logo of the club (Stanway, 2016). A European example of a similar issue would be Cardiff City. After being acquired by the Malaysian tycoon, Vincent Tan, the club was rebranded with a new logo and colours (South East Wales, 2014). These new funds brought by Mr Tan allowed the club to access the EPL in 2013/14 but the club finished last that season. Many Cardiff fans were very frustrated by this rebranding and protested against these changes. After being relegated to the second British division, the club changed again the team's colours and logo in order to return to something more traditional.

### *5.3.2 Investments abroad*

Chinese entrepreneurs do not only invest in Chinese clubs but also in foreign clubs. Acquisitions of foreign companies is a common practice in China when the government decides that Chinese businesses need to integrate a new industry. Indeed, in 2000, the Chinese government realised that local companies needed to be "globally competitive to survive" and acquire new knowledge in different industries (Williamson & Raman, 2011). Thus, the value of Chinese mergers and acquisitions increased from US\$ 1.6 billion (€ 1.4 billion) in 2003 to US\$ 18.2 billion (€ 16.5 billion) in 2006. Chinese investors have already acquired stakes in nineteen European clubs plus an Australian one for an estimated total amount of more than € 2.3 billion from 2014 to 2017 (Wanxia (A), 2017 & Appendix 41, p.92). The last European club acquired by a Chinese investor was the legendary Italian club AC Milan (Fiore, 2017). The former Italian prime minister Mr Silvio Berlusconi, who owned 99.93% of the club through his family company Fininvest, agreed to sell all his shares for € 740 million.

Notwithstanding the above, knowing that investing in a football club rarely generates direct profits, it is legitimate to wonder why Chinese entrepreneurs are willing to invest in European clubs. One of the main reasons is to acquire knowledge, as mentioned by Mr Chadwick during our interview (Appendix 43, p.95). Indeed, as China does not have a proper football know-how, the country is trying to find it abroad, like it does in the technology, R&D, or automotive industries for example (Williamson & Raman, 2011). For example, Mr Chadwick mentioned that "the Chinese government likes the Manchester City Model with the Etihad campus and so on" as the State along with its provincial authorities want to have similar sports campuses in all major Chinese cities (Gibson, 2016). Therefore, CITIC Capital and China Media Capital acquired stakes in Manchester City. Moreover, these investments overseas will be helpful for the Chinese football

development as there are agreements with clubs to allow more player exchanges, develop youth training and also give a better opportunity to young Chinese football players to be coached in Europe. For example, the chairmen of Suning and Wanda Group, which respectively bought stakes in Inter Milan and Atletico Madrid, announced that both clubs' academy were going to welcome young Chinese players (Sha, 2016).

Chinese entrepreneurs have taken advantage of the fact that many European football clubs were undervalued and badly needed cash injections due to their bad economic situations (Sha, 2016). On top of that, some of these Chinese investors may even have received direct pressure from the local government to invest in football. For example, the chairman of the Fosun group, Guo Guangchang, was under investigation in 2015 for unclear reasons<sup>22</sup> before being released without any charge. Seven months after the incident, he took over the English club Wolverhampton Wanderers FC (The Economist (B), 2016, BBC, 2015 & Mitchell, 2016).

At the beginning of 2016, the Chinese company Ledman signed a deal with the Portuguese league (LPFP) to financially support the entire Portuguese second league, freshly renamed Ledman LigaPro (Porteous (B), 2016). This deal could have been very beneficial for Chinese football coaches and players as it was stipulated in the contract that each club needed three Chinese assistant coaches and the top ten clubs of the league must have at least one Chinese player in the squad. However, this clause was modified after protests were made against such imposing rules, notably by the president of the Portuguese professional footballer's union, Joaquim Evengelista.

The Chinese investors also want to expand the importance of China at the highest levels of the world of football. Therefore, Chinese investors have acquired stakes in marketing companies or firms that have broadcasting and organisation rights for football tournaments (Sha, 2016). For example, Wanda Group acquired Infront Sports & Media, a major partner of FIFA, for US\$ 1.2 million (€ 1.1 million) in 2015. This acquisition could be strategic to help China host international sports events, such as the FIFA World Cup. It also allowed Mr Wand, Wanda's chairman, to take a seat at the front row at FIFA's year-end-meeting. He commented: "I was in the middle of the first row, the presidents of football associations of the other continents all sat behind me. Had we not acquired Infront, we would not be able to attend the FIFA meeting or receive their respect." (Sha, 2016).

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<sup>22</sup> Apparently linked with corruption cases

The Chinese clean energy company Yingli decided to sponsor both the 2010 and 2014 FIFA World Cups (Ghoshal, 2014). Yingli's chairman Liansheng Miao confessed that the company's brand awareness as well as demand for the company's products soared thanks to the sponsorship of the 2010 FIFA World Cup. The white goods and electronics manufacturer Hisense provided € 50 million to sponsor the UEFA EURO 2016 in France. Following this deal, Ding Minghao, the vice-president of the Chinese leading sports marketing company Shankai Sports International, which helped Hisense with the UEFA EURO deal and with the related promotion campaign, said that this is a perfect shortcut for Chinese firms to be known worldwide. He even estimated that "Hisense saved five to eight years' times in terms of popularisation in overseas markets" thanks to this sponsorship (Sha, 2016). In 2016, Guy-Laurent Epstein, UEFA's head of marketing, admitted that he was hoping a Chinese company would sponsor the UEFA Champions League for the first time soon (Panja, 2016).

## 5.4 Partnerships

The CFA already concluded partnerships with top football nations to develop the sport locally. In 2009, the Chinese Ministry of Education and the CFA started a partnership with the British Council and the English Premier League with the aim of developing football in China through the Premier Skills program (British Council, 2013). From 2009 until 2013, the program provided training for over six hundred physical education teachers in more than five hundred schools located in nine cities. In 2013, the Premier League together with the British Council renewed their contracts with the Chinese Ministry of Education and the CFA to continue forming football teachers in China. The aim of this program was also to train more than two hundred referees by 2016.

The CFA succeeded in creating a partnership with the Belgium Football Association in 2016 (GB Times, 2016). The agreement included a collaboration of the two football associations on different levels, visits, trainer development and national friendly games of various age groups. At the end of 2016, the Chinese Football Association also signed an agreement with the German Football Association to support Chinese football development notably by sending local coaches to teach football in Chinese schools (Jing, 2016). This deal, which was personally negotiated by the President Xi Jinping with the German Chancellor Ms Angela Merkel, will in return allow an easier access for German companies to strategic Chinese football decision makers, which is a perfect opportunity for Bundesliga's directors who are seeking to broadcast their league in China (Ahmed, 2016).

China also relies on football legends to promote Chinese football abroad. In 2013, David Beckham accepted the position of ambassador of Chinese football, promoting it both domestically and abroad. The British icon was replaced in 2016 by Pavel Nedved who was in turn replaced by the legend Diego Maradona in 2017 (SCMP, 2016 & Das, 2017). These ambassadors can use their fame to support China's position in the world of football, as Zinedine Zidane did for Qatar for the 2022 FIFA World Cup bid (Gibson, 2013).

Some Chinese clubs also partnered with top European football clubs, like FC Barcelona, Real Madrid, AC Milan and Arsenal, to develop football academies in China (Jingxi, 2017). More information about these partnerships is presented in the next section. Chinese clubs also seek to collaborate with football agents (Porteous (A), 2016). For example, at the beginning of 2016, the chairman of Alisports, an offshoot of Alibaba, met the player agent Jorge Mendes to discuss partnerships. Few weeks later, the surprising transfer of Jackson Martinez, who is Jorge Mendes' client, to Guangzhou Evergrande

FC, partially owned by Alibaba, was concluded. This kind of collaboration is very strategic as Mr Mendes is a very powerful football agent with an extensive list of football players under his umbrella, including Cristiano Ronaldo.

## 5.5 Competitiveness of the CSL

### 5.5.1 Introduction

As mentioned before, what will really help boost the Chinese football business model is the performances of Chinese teams on the field. In order to have competitive teams, China basically needs good players managed by good coaches. In football, players and coaches are selected in the national team based on their performances with clubs. Therefore, this subsection only focuses on the competitiveness of the CSL. Chinese clubs would prefer to have local football stars, however, as producing football stars is not something that happens overnight, CSL clubs have purchased foreign players and coaches in order to increase the quality of the local league.

### 5.5.2 Foreign players

The first surprising transfer was in 2011 with the arrival of the Argentinian Darío Conca in Guangzhou Evergrande FC (Church (B), 2016). On top of having broken the Chinese transfer record, Conca was also known to be the third-highest paid football player in the world at that time. In 2012, Shanghai Shenhua FC was able to count on two major recruits: Nicolas Anelka and Didier Drogba (BBC, 2012). The transfer of Didier Drogba was sensational because of his notoriety and also because he came to China immediately after having won the UEFA Champions League with Chelsea FC (PA, 2012). These arrivals created a lot of publicity for the Chinese Super League and more people in the world of football started to be interested in the country's development in this sport.

Until 2015, other famous football players at the end of their career entered the CSL but nobody as sensational as Didier Drogba (Transfermarkt (A), 2017). Generally, top football stars approaching the end of their career preferred to go to the USA or Qatar in order to enjoy a pre-retirement. In addition, there were financial issues in the CSL during these years. Indeed, many players, like Didier Drogba and Nicolas Anelka, did not stay in China for long and even left before the end of their contracts (Transfermarkt, 2017). For example, Didier Drogba left Shanghai Shenhua FC after only six months when actually he should have stayed for two years more (Ramzy, 2013). Apparently, the reason was that his wages were not paid. This strange phenomenon could indicate that inappropriate management and business behaviours were not completely wiped out from the CSL. Nonetheless, CSL achieved two important goals, which were to attract attention on the local league and to show the world that Chinese were determined to develop football in their country.

In 2015, China took a further step compared to other countries that are also trying to compete with traditional football nations, like the USA or Qatar for example. Indeed, a wave of promising football players under thirty years old arrived in China. It is something to underline because normally players that have enjoyed a promising football career in Europe only leave the old continent when they are near to the retirement. Thus, with the arrivals of players who could still play several years at the highest level in Europe, like the Colombian Jackson Martinez or the Brazilians Paulinho and Ramires, the Chinese Super League sent a strong message to the rest of the football world (Transfermarkt, 2017). The league clearly showed that Chinese wanted to bring football in their country and, more importantly, that they have the necessary financial resources to do that. In addition, Chinese football clubs seem to have stabilised the situation with foreign players and keep them for a longer period. For example, Paulinho stated during an interview with Globesporte that he was willing to stay in China and that he even renewed his contract with Guangzhou Evergrande Taobao FC until 2020 (Natan, 2017).

The deal which probably confirmed that China should be considered as a serious player in the world of football was the purchase of Alex Teixeira by Jiangsu Suning FC (BBC Sport, 2016). The Brazilian previously played for the Ukrainian club FC Shakhtar Donetsk and his performances notably attracted the interest of Liverpool FC. The British club attempted to buy the player before being outbid by Jiangsu Suning FC.

The only way that the CSL can attract good foreign players for the moment is by paying a large amount of money. Therefore, transfer fees and wages have rocketed in the CSL for the last few years, as shown previously. Nonetheless, the CFA would rather have only Chinese players in the league because foreign players will not directly help the country win the FIFA World Cup, which is the ultimate goal of Xi Jinping. Thus, in order to avoid having too many foreign players taking the places of local players in the local league, the CFA reduced the number of foreign players in the match day squad from four non-Chinese players plus one Asian player to only three non-Chinese players (BBC Sport, 2017).

### *5.5.3 Local players*

Wu lei and Zhang Linpeng are considered to be the best Chinese players but, according to Mr Wilson, neither of them have the level to play in Europe (Appendix 44, p.97). Thus, China has still a lot of room to improve concerning the generation of football stars. It was mentioned before that the Chinese Football Association together with the national

government were ready to financially support football youth development and that the CFA has partnered with many other nations' football associations for this project. On top of that, China can also rely on an important support for youth development in football. Indeed, Tom Byer, who became popular for having revolutionised football youth development in Japan, accepted to be part of the China Schools Football (CSF) project, which aims at teaching football to very young children in China (Porteous (C), 2016). Thanks to this program, football is now taught as a mandatory physical education discipline in some Chinese schools. The idea of this project is also to help boost the football culture and enlarge the player pool, which both are still missing in China (Church (A), 2016 & Interview).

Chinese clubs have understood the importance of generating football stars therefore some of them have already invested in brand new youth academies. Guangzhou Evergrande Taobao FC in collaboration with Xu Jiayin, considered as one of the most important Chinese property magnates, opened in 2012 the largest youth academy in the world in term of size (Stayton, 2016 & Sevastopulo, 2014). The academy was built in only ten months for a cost of US\$ 185 million (€ 167.2 million). It includes fifty football pitches spread over about 675,825 m<sup>2</sup> as well as basketball, tennis, and volleyball fields, a swimming pool, a gym, a library, a cinema, and six canteens. The academy can welcome 2,800 students, 2,600 boys and 200 girls. In order to ensure the best quality of training, the academy already had in its ranks twenty-four coaches from Real Madrid (twenty-two Spanish, plus one Argentinian and one Portuguese), which were part of a multimillion-euro deal with the Spanish club.

More recently, Mission Hills Group, specialised in the hospitality, sports and leisure industry, has teamed up with FC Barcelona to build a US\$ 8.5 million (€ 7.7 million) football academy in Haikou on the island of Hainan (Jingxi, 2017 & Phillips, 2017). This academy has seven pitches and will welcome about a thousand students, boys and girls, from six to eighteen years old. The Haikou academy will also welcome coaching staffs of FC Barcelona and provide the same quality of coaching as in La Masia<sup>23</sup>, which is extremely interesting for the Chinese academy as it is the first time that FC Barcelona will send its own staff to a foreign academy (Jingxi, 2017 & Phillips, 2017). The president of FC Barcelona Mr Josep Maria Bartomeu also noted that this partnership is special as it is "a long-term project that will last for ten years, even twenty years, which is a big difference from other football academies in China" (Jingxi, 2017).

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<sup>23</sup> FC Barcelona's training center where Lionel Messi was formed among other many talented football players

#### 5.5.4 Coaches

Neither the Chinese government or the CFA seem to have any problem about having foreign coaches managing the local teams. This probably comes from the fact that they have an indirect role and are less under the spotlight during the game. The other main reason is that Chinese are still looking to acquire football know-how. Hence, at the beginning of the 2017 CSL season, about 81% of the head coaches of CSL clubs were foreigners and 69% of them were originated from outside Asia. In comparison, 80% of the EPL coaches were foreigners at the 2016/2017 season kick-off (Transfermarkt, 2017). Moreover, even the best football teams are coached by foreigners. Indeed, out of all the clubs who progressed to the round of 16 of the UEFA Champions League, nine clubs out of the sixteen were headed by a foreign coach (UEFA (A), 2017).

Even the coach of Team China is not Chinese as the Italian Marcelo Lippi, winner of the 2006 FIFA World Cup with Italy, was appointed as the head coach of Team China in 2016 (SCMP staff reporter, 2016). It is also not uncommon in football to have a foreigner as the head coach of a national team. For example, during the 2014 FIFA World Cup in Brazil, fourteen national teams out of the thirty-two were headed by a foreign coach (Ran, 2014). Nonetheless, Mr Wilson mentioned during our interview that China could not eternally rely on foreign coaches (Appendix 44, p.97). Indeed, the number of football facilities in China is expanding and he said that at some point the country needs its own coaches. As shown previously, the CFA has also started to invest more in coach formation and ensures coach development with its partners. However, as for the players, it is very unlikely to see talented Chinese coaches emerging in the coming years, as the country has never had any good quality coach in its history.

## 6. Conclusion

Considering the findings of this study, the Chinese football business model is comparable with the football business models of the other countries presented before. The year 2016 was a lucrative year for the CFA and the association's budget for 2017 is well distributed among the areas that need the most financial support to ensure a favourable development of football in China. The CSL realised a large loss in 2016 but it is not such a surprise considering that the league is still developing and that some other football leagues, even the top ones, generate losses as well. In addition, the governing members and leaders of Chinese football have a great willingness to learn and do not hesitate to react quickly to avoid misbehaviours.

However, there is no certainty that China will become a football superpower or win the FIFA World Cup one day. From a business perspective, China's success in football will depend on the country's willingness to keep investing in this sport knowing that direct financial returns are not always guaranteed. As shown before, the largest financial investments were particularly made in CSL but Chinese people would probably benefit more if the CFA focuses more on youth development. Indeed, considering the example of England, there is no guarantee that the development of CSL will help Chinese football players to perform better. By focusing more on youth development, there is more chance that China will have better local football players and potentially have a competitive national team that could win the FIFA World Cup. Nonetheless, the results of these investments will probably start to be visible in about fifteen to twenty years. For example, it took about fifteen years for Belgium to be in the top ten of the FIFA ranking thanks to the local football youth development project.

It is important that the Chinese government does not push too much this project because it could lead to bad investments and disappointment. Indeed, the objectives set by Xi Jinping and the CFA for the country to become a football superpower and win the FIFA World Cup are very high. Thus, Chinese investors are spending large sums of money but not all of them have the proper knowledge of football and there is a good chance that some of these investors will be duped.

Football development in China will also depend on the collaboration between the Chinese government and local businesses. Indeed, both parties are the most important stakeholders in the Chinese football project but they are driven by different objectives, as mentioned before. Hence, both parties must find a common ground and pull in the same direction in order to achieve goals that will satisfy both of them as well as Chinese people.

One of the main challenges for the Chinese Football Association will be to develop a football culture in China. If it succeeds to do so, more Chinese people will be interested and involved in football and consequently there will be a greater probability that China will produce better football players. As for now, the CFA is supported by the Chinese government, local businesses and they are currently all investing in projects to spur the growth of this football culture. The CFA is willing to host a FIFA World Cup and this can definitively help strength the football culture in China. A FIFA World Cup is also a perfect way to inspire and unify people to support the country, which is wished by Xi Jinping.

The CFA can assess the progression of the development of Chinese football with four steps to go through. First, China needs to generate its own local young football stars. When major European football teams or academies will try to recruit some Chinese young players that will be the signal that football youth development in China starts to be fruitful. Then, Chinese youth national teams need to impose themselves in international cups. This will mean that there is a potential for building up a strong first national team in the following years. After that, the Chinese first national team must impose itself as one of the best Asian nations. This can be accomplished by performing well at the AFC Asian Cup, like by winning it. The last step is to see Team China performing well at the FIFA World Cup and possibly win it. If Chinese football succeeds to pass all these steps, Mr Xi Jinping and the CFA could consider calling China a football superpower.

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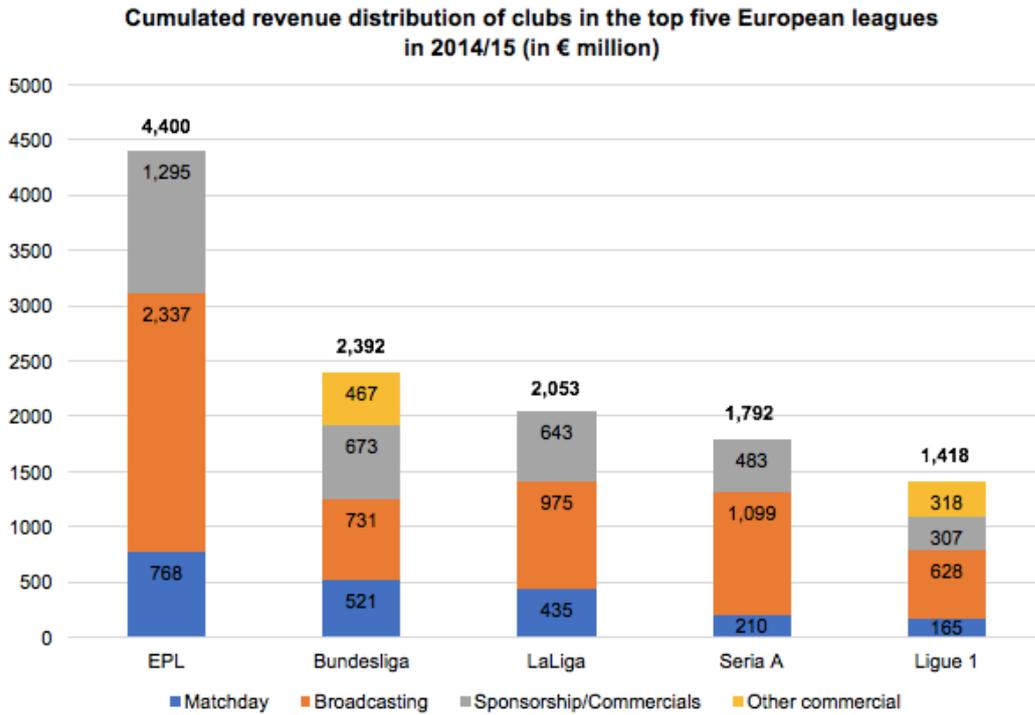
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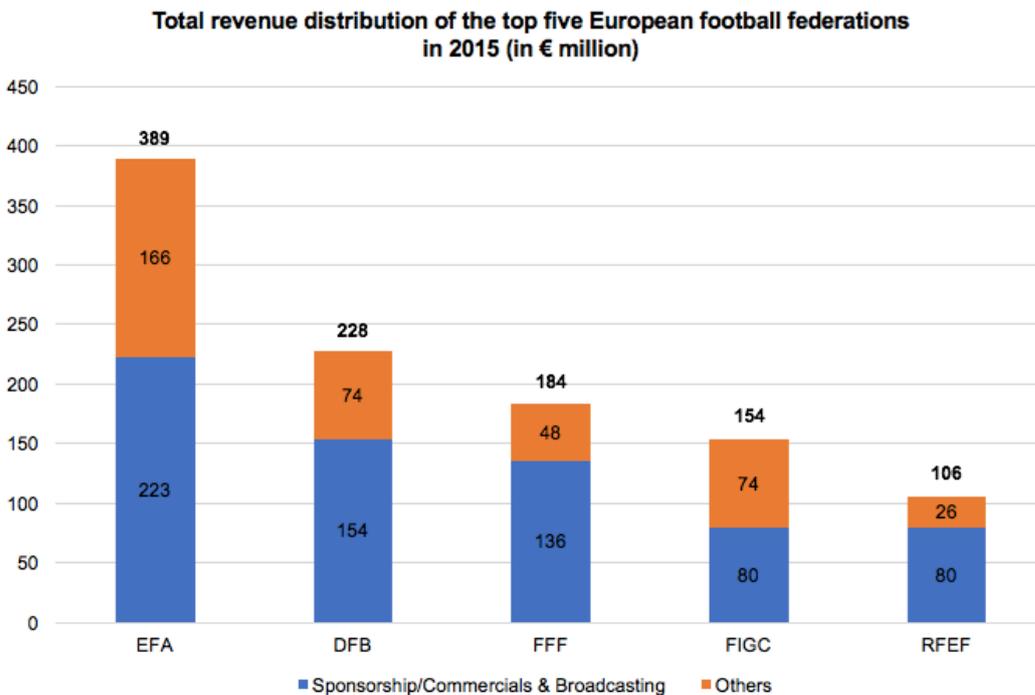
# Appendices

## Appendix 1:



Source: Deloitte (A), 2016

## Appendix 2:



Sources: EFE, 2016, FFF, 2015, The FA, 2015, FIGC & Deloitte, 2016 & DFB, 2016.

### Appendix 3:

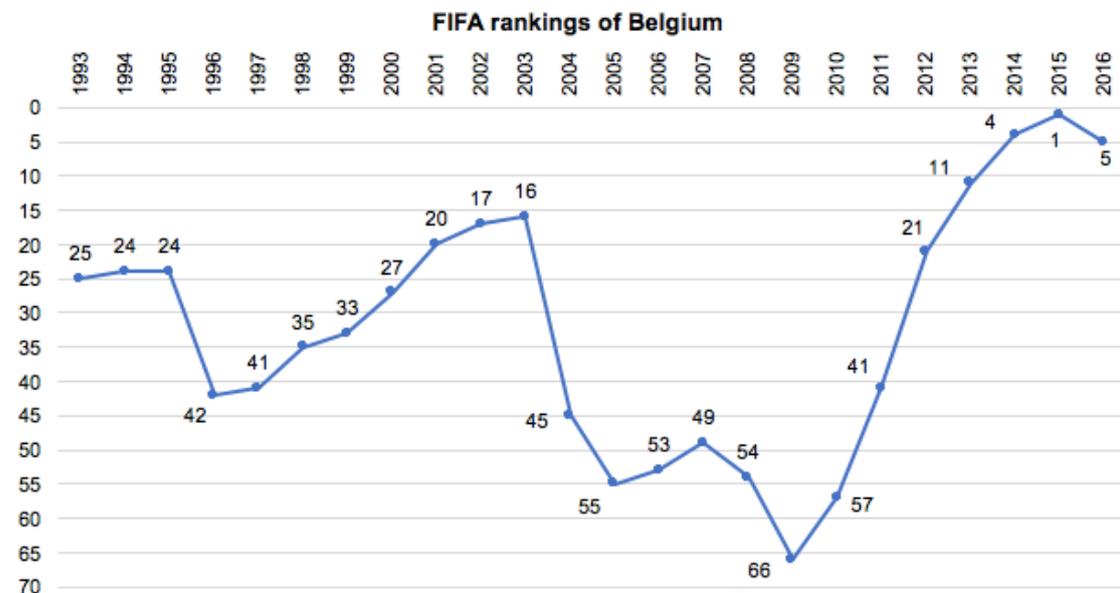
#### Estimation of total wages distribution by league (in € million)\*

	EPL	%	La Liga	%	Serie A	%	Bundesliga	%	Ligue 1	%
<b>Total Wages</b>	2,690.0	100.0	1,238	100.0	1,309	100.0	1,251	100.0	959	100.0
<b>Total players' salaries</b>	1,533.3	57.0	729.1	58.9	715.1	54.6	646.5	51.7	474.7	49.5
<b>Total personnel costs</b>	1,156.7	43.0	508.9	41.1	593.9	45.4	604.5	48.3	484.3	50.5

Sources: UEFA (A), 2016 & Sporting Intelligence, 2016

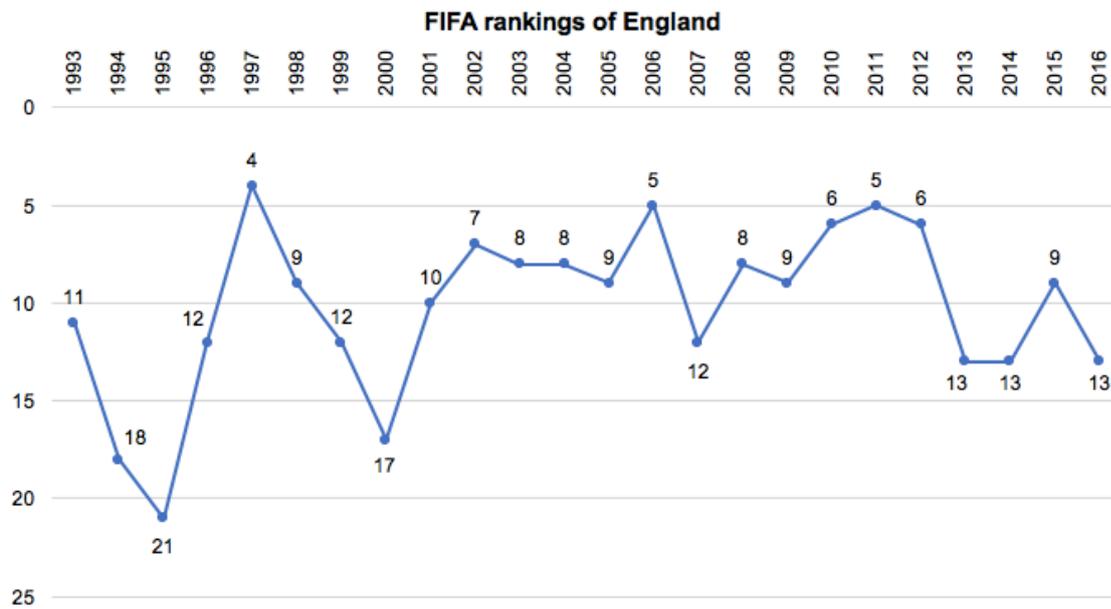
\*Total wages correspond to the financial year 2015 and Total players' salaries corresponds to the season 2016/17. Total personnel costs is the difference between Total wages and Total players' salaries.

### Appendix 4:



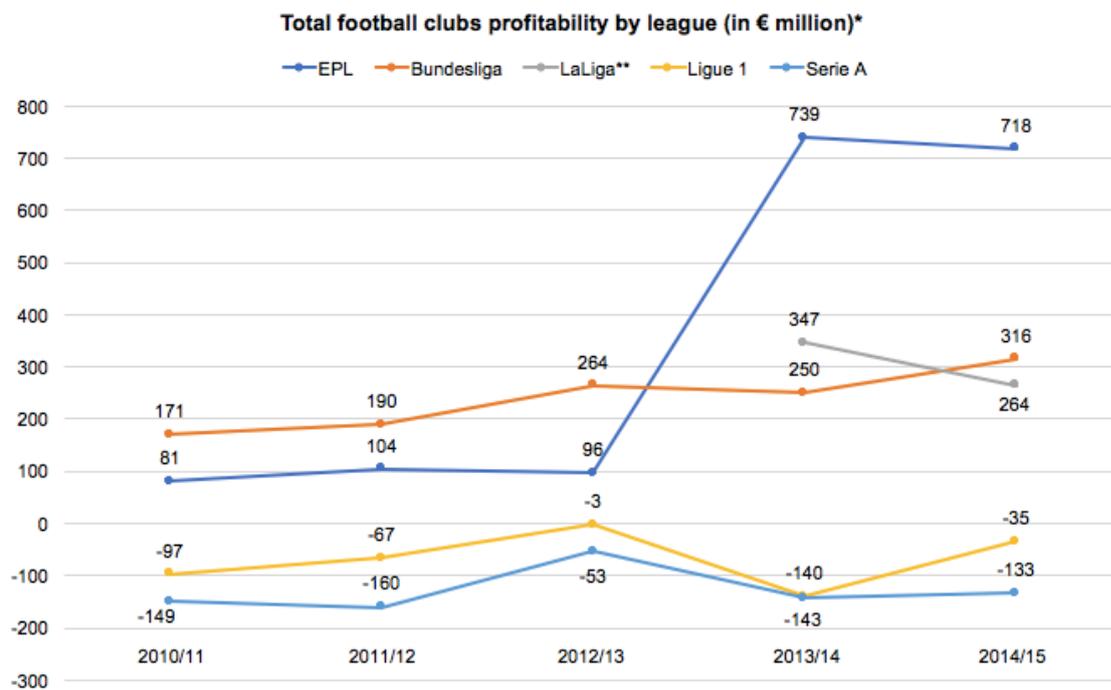
Source: FIFA (D), 2017

## Appendix 5:



Source: FIFA (D), 2017

## Appendix 6:



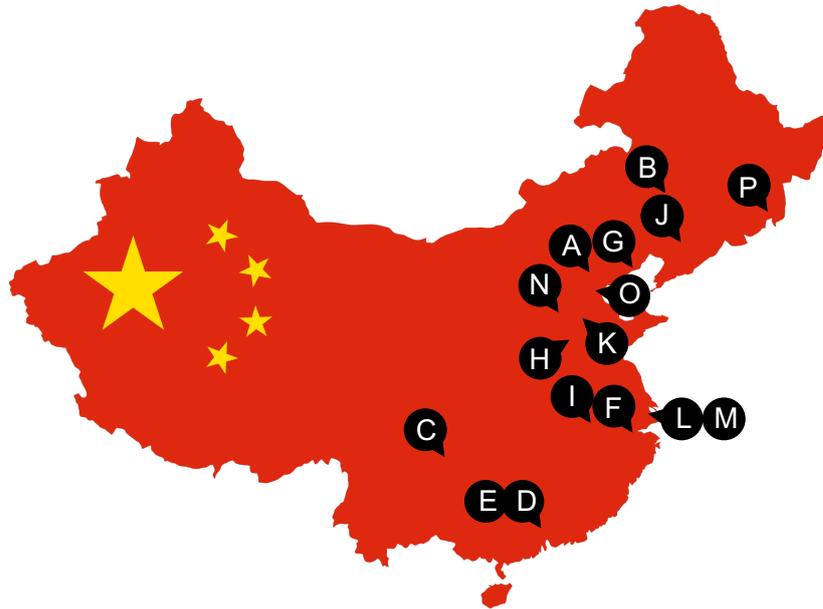
Source: Deloitte (A), 2016

\*Without players trade and exceptional items

\*\*No data available from 2010 to 2013

## Appendix 7:

### Owners of Chinese football clubs in 2016

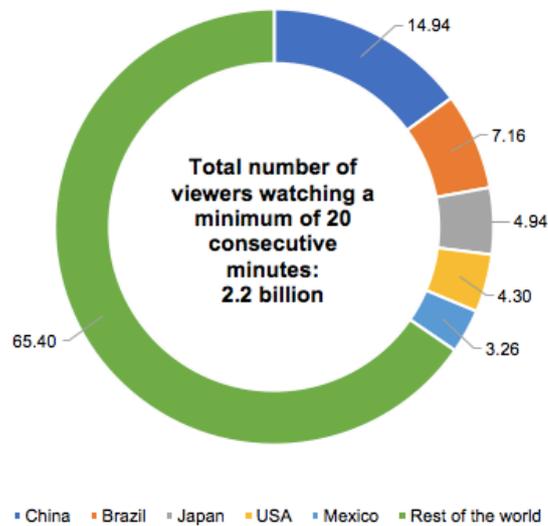


Source: Nielsen, 2016 & Clover, 2014

A. Beijing Guoan: <i>CITIC Group (state investment)</i>	I. Jiangsu Suning: <i>Suning Appliance Group (retailers, online retail)</i>
B. Changchun Yatai: <i>Jilin Yatai Group (real estate, coal mining, securities)</i>	J. Liaoning Whowin: <i>Liaoning Sport Technology College (Sports university) &amp; Huludao Hongyun (real estate)</i>
C. Chongqing Lifan: <i>Lifan Group (motorcycles, cars, spare parts)</i>	K. Shandong Luneng Taishan: <i>Luneng Group (electric energy provider)</i>
D. Guangzhou Evergrande Taobao: <i>Evergrande Real Estate Group, 50% (real estate) &amp; Alibaba, 50% (E-commerce)</i>	L. Shanghai Greenland Shenhua: <i>Greenland Group (developer)</i>
E. Guangzhou R&F: <i>Guangzhou R&amp;F (property developers)</i>	M. Shanghai SIPG: <i>Shanghai International Port Group (port operator)</i>
F. Hangzhou Greentown: <i>Greentown China Holdings Limited (real estate)</i>	N. Shijiazhuang Ever Bright: <i>Hebel Ever Bright Real Estate Development Co. (real estate)</i>
G. Hebei China Fortune: <i>China Fortune Land Development (real estate)</i>	O. Tianjin Teda: <i>Tianjin TEDA Group (state-owned enterprise)</i>
H. Henan Jianye: <i>Jianye Residential Group (real estate)</i>	P. Yanbian Funde: <i>Yanbian Sports Bureau (sports) &amp; Funder Holdings Group (insurance)</i>

## Appendix 8:

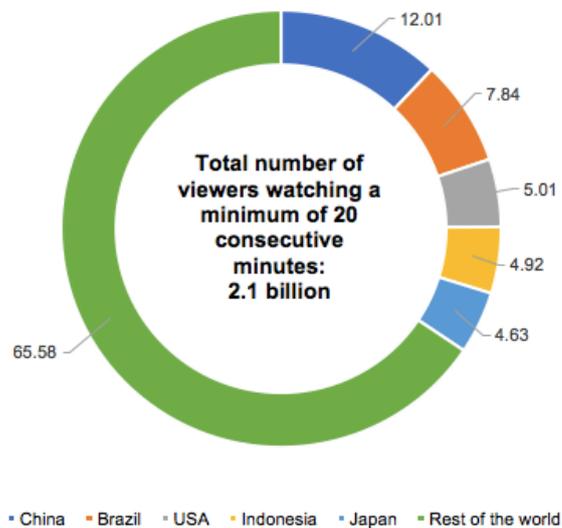
2010 World Cup South Africa shares of TV audience by country (in %)



Source: Kantar Sport, 2010

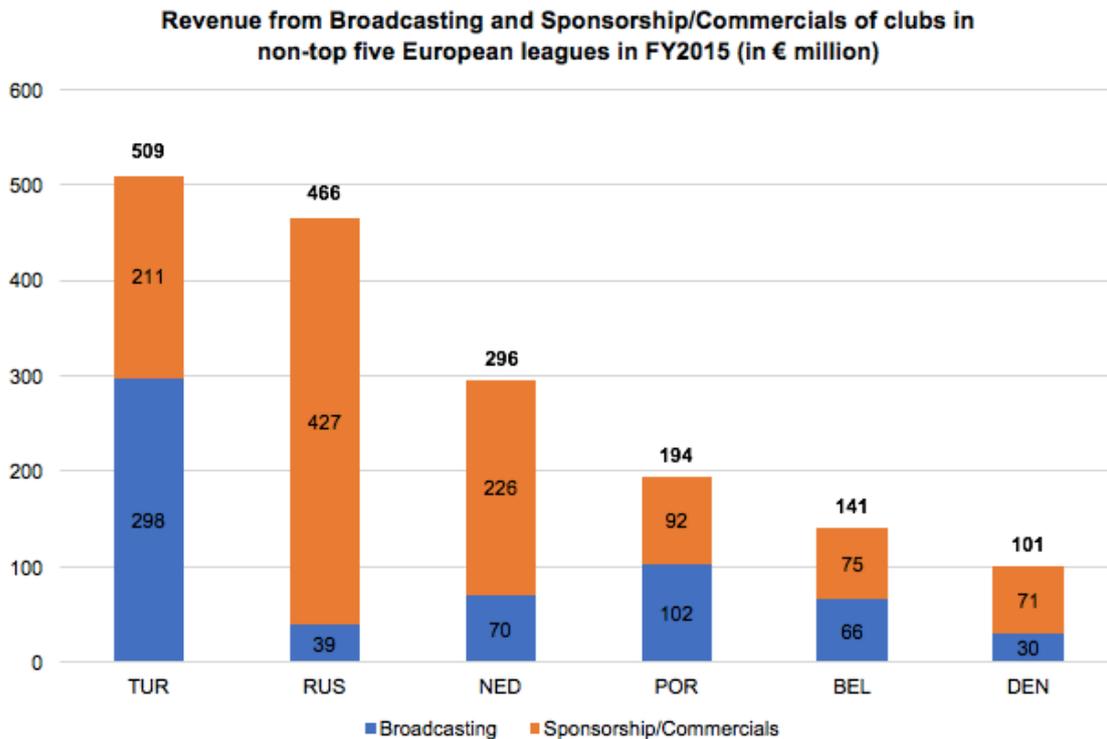
## Appendix 9:

2014 FIFA World Cup Brazil shares of TV audience by country (in %)



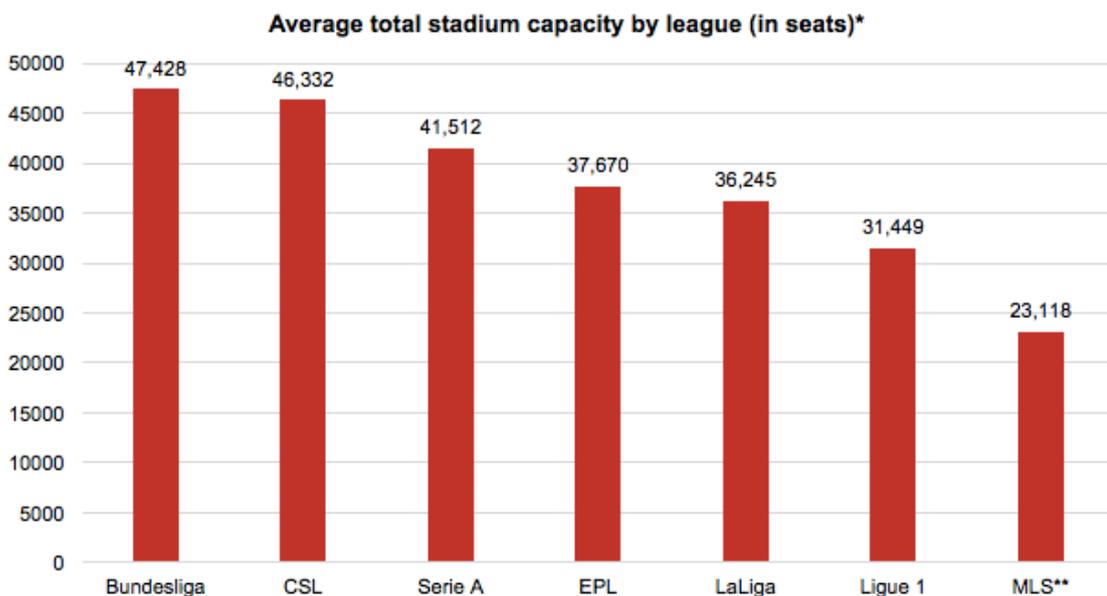
Source: Kantar Media, 2014

## Appendix 10:



Source: UEFA (A), 2015

## Appendix 11:

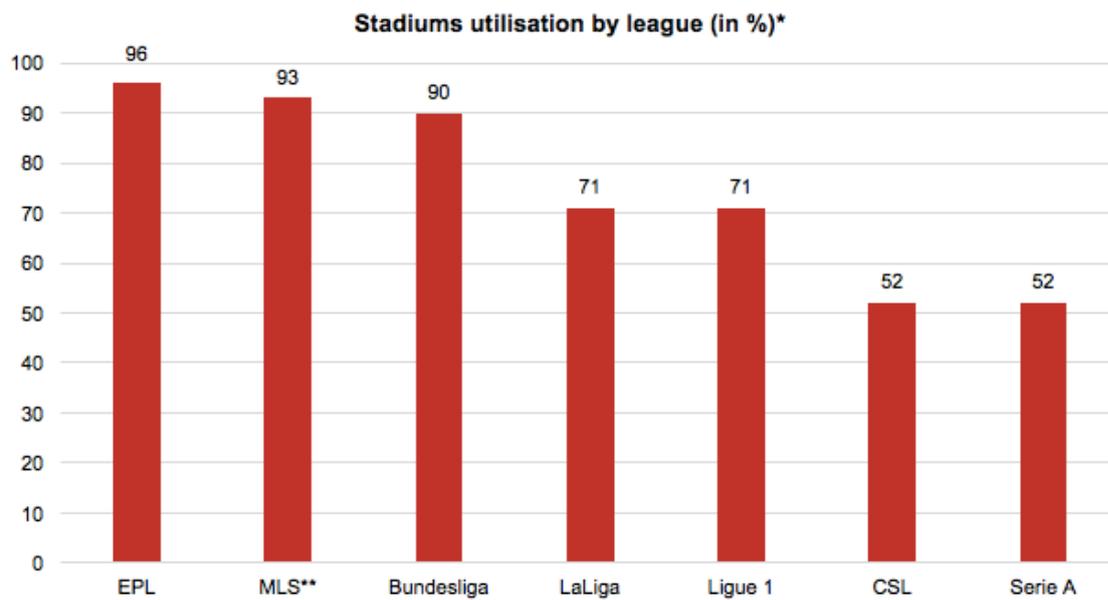


Source: Deloitte (A), 2016 & Transfermarkt, 2017

\*The amounts for Bundesliga, Serie A, EPL, La Liga, Ligue 1 are from the season 2014/15 and the ones for CSL and MLS are from the season 2016

\*\* Some stadiums have higher capacity (for American football games) but reduced during MLS games

## Appendix 12:



Source: Deloitte (A), 2016 & Transfermarkt, 2017

\*The amounts for Bundesliga, Serie A, EPL, La Liga, Ligue 1 are from the season 2014/15 and the ones for CSL and MLS are from the season 2016

\*\* MLS stadium utilisation is much lower if actual stadium's capacity is taken into account

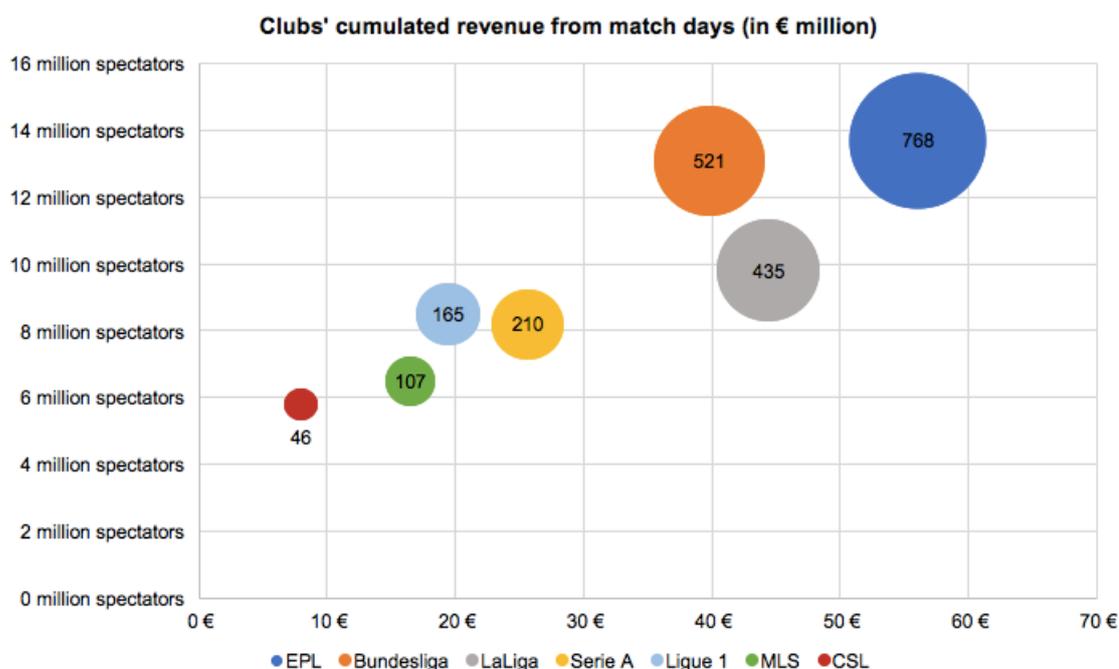
## Appendix 13:

### Clubs' cumulated revenue from match days\*

League	Total matches	Average attendance/game	Total spectators (in million)	Average ticket price (in €)	Total match day revenue (in € million)
EPL	380	36,163	13.7	56.1	768
Bundesliga	306	42,685	13.1	39.8	521
La Liga	380	25,734	9.8	44.4	435
Serie A	380	21,586	8.2	25.6	210
Ligue 1	380	22,329	8.5	19.4	165
MLS	358	18,156	6.5	16.5	107
CSL	240	24,162	5.8	7.9	46

Sources: Deloitte (A), 2016 Szymanski, 2015

\* EPL, Bundesliga, La Liga, Serie A, Ligue 1: season 2014/15; MLS total spectators in 2016 with 2014 prices; CSL total spectators in 2016 with 2013 prices. MLS and CSL revenue only takes into consideration ticket sales.



## Appendix 14:

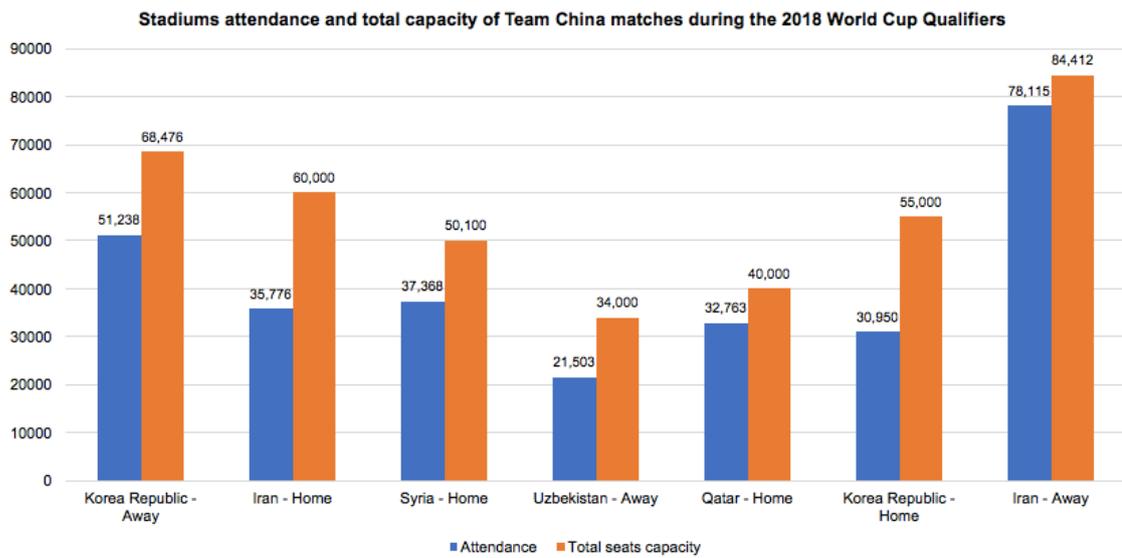
### CSL 2013 ticket prices (in €)\*

Club	Season tickets			Individual matches		
	Lowest	Highest	Median	Lowest	Highest	Median
Guangzhou Evergrande	81.7	176.9	129.3	9.5	27.2	18.4
Jiangsu Sainty	-	-	-	4.1	6.8	5.4
Beijing Guoan	81.7	81.7	81.7	6.8	20.4	13.6
Guizhou Renhe	65.3	65.3	65.3	6.8	6.8	6.8
Dalian Aerbin	51.7	133.4	92.5	4.1	40.8	22.5
Changchun Yatai	55.8	55.8	55.8	4.1	16.3	10.2
Guangzhou R&F	24.5	51.7	38.1	5.4	8.2	6.8
Shanghai Shenhua	68.0	68.0	68.0	10.9	27.2	19.1
Liaoning Whowin	40.8	40.8	40.8	5.4	5.4	5.4
Hangzhou Greentown	61.2	187.8	124.5	5.4	38.1	21.8
Shandong Luneng	54.4	136.1	95.3	2.7	13.6	8.2
Shanghai Shenxin	27.2	27.2	27.2	4.1	20.4	12.2
Shanghai East Asia	68.0	68.0	68.0	4.1	51.7	27.9
Wuhan Zall	49.0	98.0	73.5	5.4	10.9	8.2
<b>Average</b>	<b>56.1</b>	<b>91.6</b>	<b>73.9</b>	<b>5.6</b>	<b>21.0</b>	<b>13.3</b>

Source: Bcheng, 2013

\*CSL league is composed of 16 teams but only 14 were reported

## Appendix 15:



Sources: FIFA (C), 2017, Goal, 2017, Stadium Database, 2017, Emporis, 2017, Football Trippler, 2015, The Stadium Guide, 2017.

## Appendix 16:

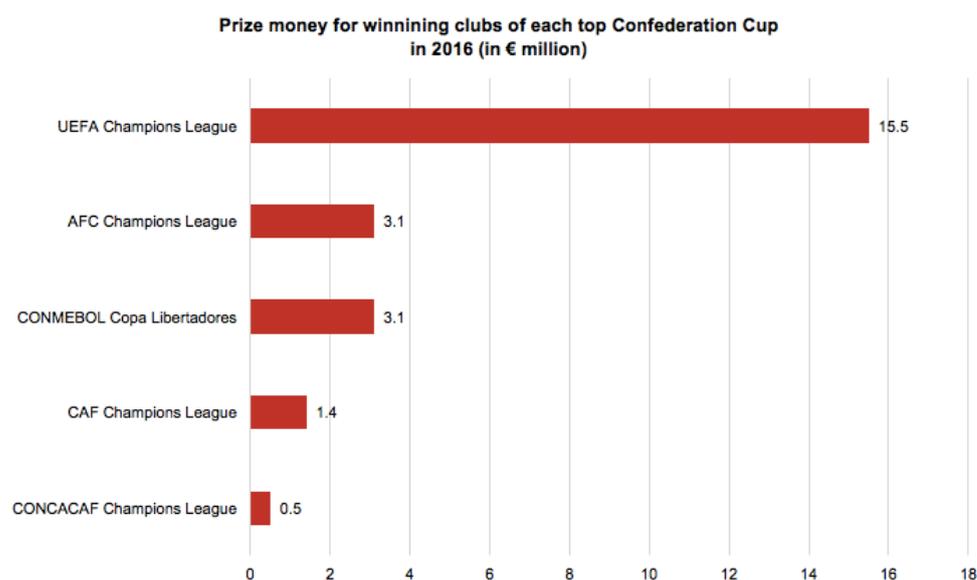
### AFC vs UEFA Champions League Prize Money Distribution

Stage	AFC 2015	<i>Difference</i>	AFC 2016	UEFA* 2016/17
Round of 16	US\$ 0.05m (€ 0.045m)	<i>x 1.6</i>	US\$ 0.08m (€ 0.072m)	€ 6m
Quarter-finalists	US\$ 0.08m (€ 0.072m)	<i>x 1.5</i>	US\$ 0.12m (€ 0.108m)	€ 6.5m
Semi-finalists	US\$ 0.12m (€ 0.108m)	<i>x 1.67</i>	US\$ 0.2m (€ 0.181m)	€ 7.5m
Runners-up	US\$ 0.75m (€ 0.678m)	<i>x 2</i>	US\$ 1.5m (€ 1.36m)	€ 11m
Winners	US\$ 1.5m (€ 1.36m)	<i>x 2</i>	US\$ 3m (€ 2.71m)	€ 15.5m
<b>Total received by the winners</b>	<b>US\$ 1.75m (€ 1.58m)</b>	<b><i>x 1.94</i></b>	<b>US\$ 3.4m (€ 3.1m)</b>	<b>€ 35.5m</b>

Sources: AFC, 2016 & UEFA(A), 2016

\*There are also prize money for the group stage in the UEFA Champions League. The winners of the UEFA Champions League can potentially earn € 57.2m.

## Appendix 17:



Sources: AFC, 2015, UEFA, 2016, Bein Sports, 2016, MLS, 2016 & Herman, 2016

## Appendix 18:

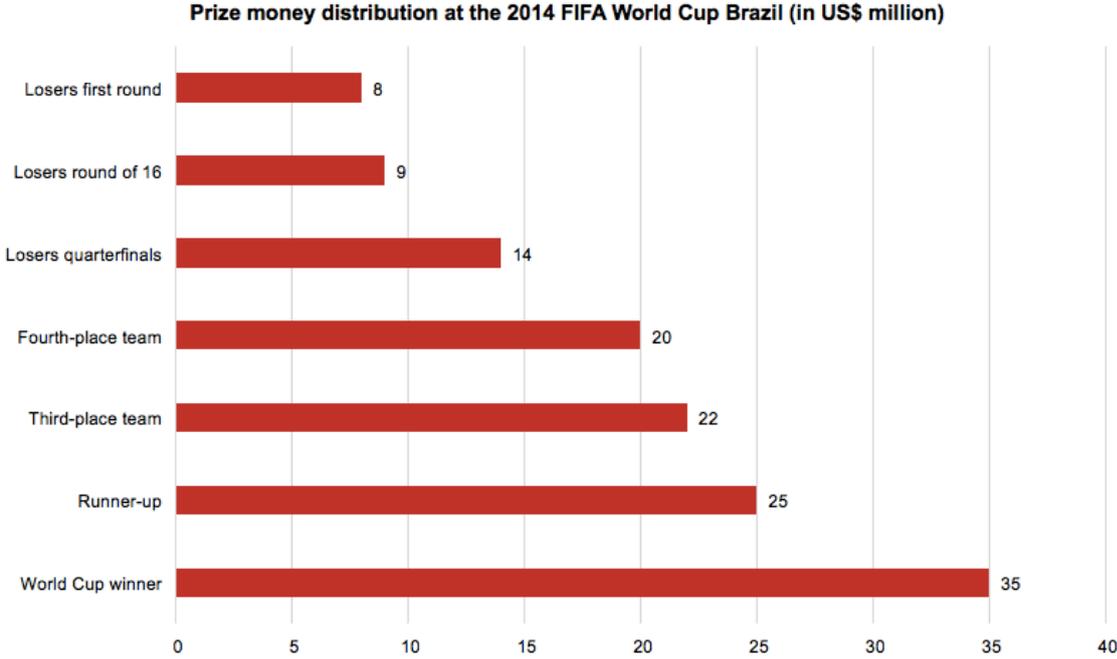
### AFC vs UEFA secondary Confederation Cup for clubs Prize Money Distribution

Stage	AFC 2015	Difference	AFC 2016	UEFA* 2016/17
Round of 16	/	/	US\$ 0.015m (€ 0.014m)	€ 0.75m
Quarter-finalists	/	/	US\$ 0.025m (€ 0.023m)	€ 1m
Semi-finalists	/	/	US\$ 0.04m (€ 0.036m)	€ 1.6m
Runners-up	US\$ 0.25m (€ 0.23m)	x 1.96	US\$ 0.5m (€ 0.45m)	€ 3.5m
Winners	US\$ 0.35m (€ 0.32m)	x 2.81	US\$ 1m (€ 0.9m)	€ 6.5m
<b>Total received by the winners</b>	<b>US\$ 0.35m (€ 0.32m)</b>	<b>x 3.06</b>	<b>US\$ 1.08m (€ 0.98m)</b>	<b>€ 9.85m</b>

Sources: AFC, 2016 & UEFA (B), 2016

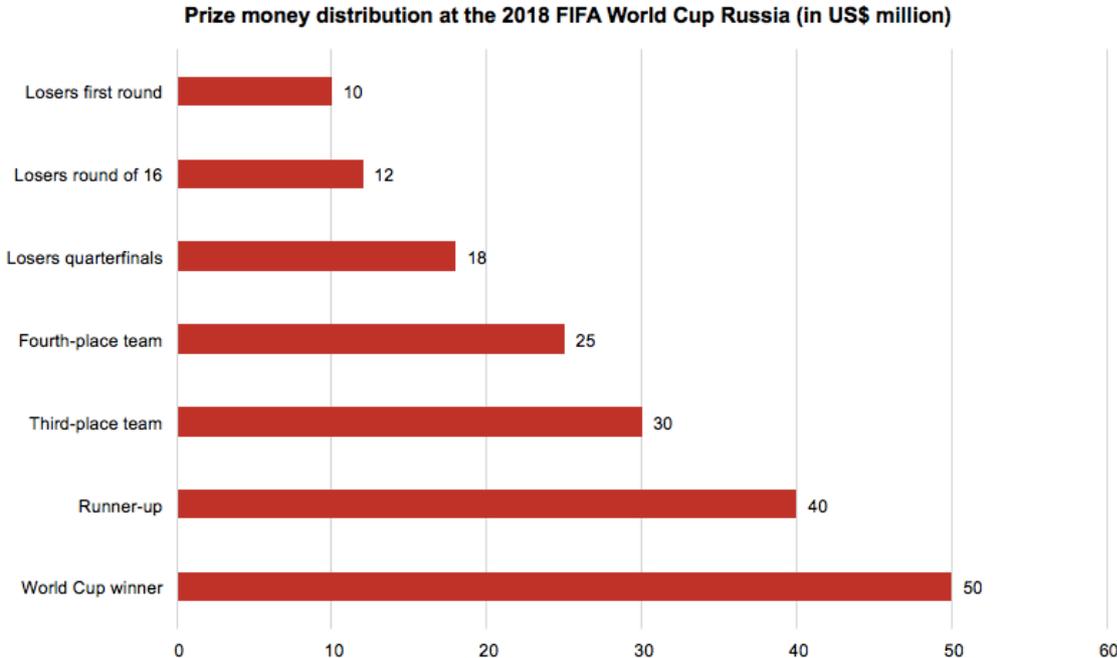
\*There are also prize money for the group stage in the UEFA Europa League. The winners of the UEFA Europa League can potentially earn € 15.71m

**Appendix 19:**



Source: FIFA, 2015

**Appendix 20:**



Source: Gomez, 2016

**Appendix 21:****Chinese football clubs ranked by revenue in 2015  
(Position at the end of the season)**

1. Guangzhou Evergrande (1)	US\$ 57 million (€ 51.2 million)
2. Shanghai SIPG (2)	US\$ 37 million (€ 33.4 million)
3. Jiangsu Suning (9)	US\$ 36 million (€ 32.5 million)
4. Beijing Guoan (4)	US\$ 30 million (€ 27.1 million)
5. Shanghai Greenland Shenhua (6)	US\$ 29 million (€ 26.2 million)
6. Shandong Luneng Taishan (3)	US\$ 24 million (€ 21.6 million)
7. Hebei China Fortune (1, Div. 2)	US\$ 22 million (€ 19.9 million)
8. Chongqing Lifan (8)	US\$ 17 million (€ 15.4 million)
9. Tianjin Teda (13)	US\$ 15 million (€ 13.7 million)
10. Liaoning Whowin (12)	US\$ 14 million (€ 12.7 million)

Source: Klebnikov, 2016 & Transfermarkt, 2017

## Appendix 22:

### Top five European League cumulated revenue distribution in 2014/15 (in € million)

League	Total cumulated revenue	Cumulated revenue from richest clubs* (number of clubs)	Cumulated revenue from remaining clubs (number of clubs)
<b>EPL</b>	4,400	2,822.2 (8)	1,577.8 (12)
<b>Bundesliga</b>	2,392	974.3 (3)	1,417.7 (15)
<b>La Liga</b>	2,053	1,314.4 (3)	738.6 (17)
<b>Serie A</b>	1,792	866.9 (4)	925.1 (16)
<b>Ligue 1</b>	1,418	480.8 (1)	937.2 (19)

Source: Deloitte (A), 2016 & Deloitte, 2017

\*Richest clubs are the ones listed in Deloitte Football Money League

## Appendix 23:

### Ligue 1 and CSL football clubs ranked by revenue in 2014/15

1. Paris Saint-Germain*	€ 484 million
2. Monaco	€ 117.4 million
3. Olympique de Marseille	€ 109.7 million
4. Olympique Lyonnais	€ 104.4 million
5. LOSC	€ 72.1 million
6. Saint-Etienne	€ 62.1 million
7. Girondins de Bordeaux	€ 58.7 million
8. Guangzhou Evergrande Taobao	€ 51.2 million
9. Stade Rennais	€ 42.6 million
10. Montpellier Hérault	€ 41 million
11. OGC Nice	€ 37 million
12. EA Guingamp	€ 36.6 million
13. Nantes	€ 34.5 million
14. Shanghai SIPG	€ 33.4 million
15. Jiangsu Suning	€ 32.5 million
16. Toulouse	€ 31.3 million
17. Stade Malherbe Caen	€ 29.9 million
18. Stade de Reims	€ 29.9 million
19. Bastia	€ 27.7 million
20. Evian Thonon Gaillard	€ 27.4 million
21. Beijing Guoan	€ 27.1 million
22. Metz	€ 26.2 million
23. Shanghai Greenland Shenhua	€ 26.2 million
24. Lens	€ 25.1 million

Source: Klebnikov, 2016 & DNCG, 2016

\*PSG's revenue in Deloitte report was € 480.8 million

## Appendix 24:

### MLS football clubs ranked by revenue in 2015 (Position at the end of the season)

1. LA Galaxy (Playoff knockouts)	US\$ 58 million (€ 52.4 million)
2. Seattle Sounders FC (Playoff Semi-finals)	US\$ 52 million (€ 47 million)
3. Portland Timbers (1)	US\$ 39 million (€ 35.3 million)
4. Toronto FC (Playoff knockouts)	US\$ 38 million (€ 34.4 million)
5. New York City FC (8, Eastern)	US\$ 36 million (€ 32.5 million)
6. Orlando City SC (7, Eastern)	US\$ 36 million (€ 32.5 million)
7. Sporting Kansas City (Playoff knockouts)	US\$ 33 million (€ 29.8 million)
8. San Jose Earthquakes (7, Western)	US\$ 31 million (€ 28 million)
9. New England Revolution (Playoff knockouts)	US\$ 27 million (€ 24.4 million)
10. Houston Dynamo (8, Western)	US\$ 26 million (€ 23.5 million)

Source: Forbes Staff, 2016, Transfermarkt, 2017, ESPN Staff (B), 2015

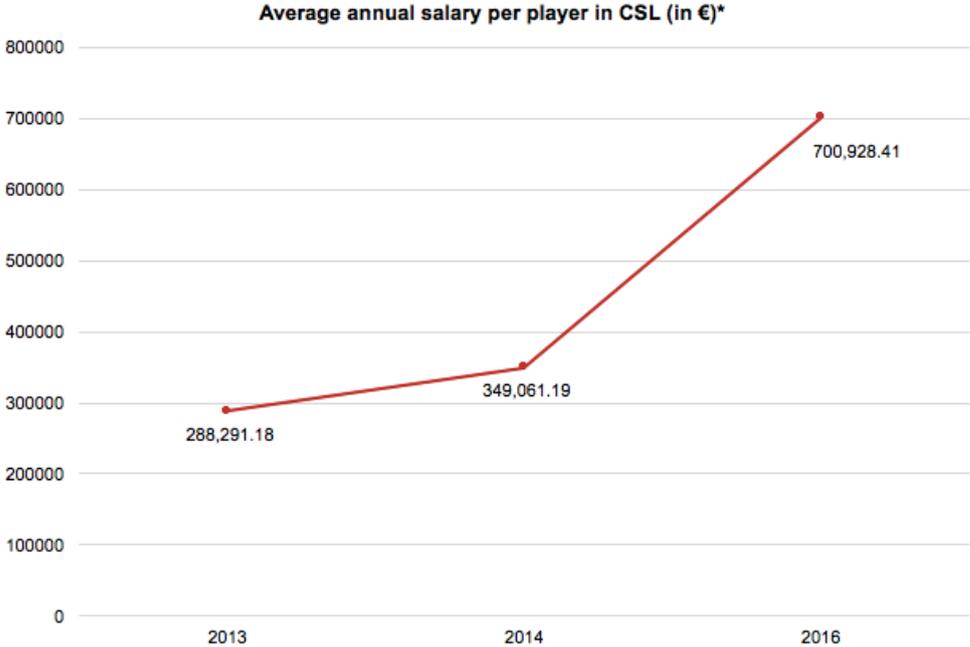
## Appendix 25:

### MLS and CSL football clubs ranked by revenue in 2015

1. LA Galaxy	US\$ 58 million (€ 52.4 million)
2. Guangzhou Evergrande Taobao	US\$ 57 million (€ 51.2 million)
3. Seattle Sounders FC	US\$ 52 million (€ 47 million)
4. Portland Timbers	US\$ 39 million (€ 35.3 million)
5. Toronto FC	US\$ 38 million (€ 34.4 million)
6. Shanghai SIPG	US\$ 37 million (€ 33.4 million)
7. Jiangsu Suning	US\$ 36 million (€ 32.5 million)
8. New York City FC	US\$ 36 million (€ 32.5 million)
9. Orlando City SC	US\$ 36 million (€ 32.5 million)
10. Sporting Kansas City	US\$ 33 million (€ 29.8 million)
11. San Jose Earthquakes	US\$ 31 million (€ 28 million)
12. Beijing Guoan	US\$ 30 million (€ 27.1 million)
13. Shanghai Greenland Shenhua	US\$ 29 million (€ 26.2 million)
14. New England Revolution	US\$ 27 million (€ 24.4 million)
15. Houston Dynamo	US\$ 26 million (€ 23.5 million)
16. Shandong Luneng Taishan	US\$ 24 million (€ 21.6 million)
17. Hebei China Fortune	US\$ 22 million (€ 19.9 million)
18. Chongqing Lifan	US\$ 17 million (€ 15.4 million)
19. Tianjin Teda	US\$ 15 million (€ 13.7 million)
20. Liaoning Whowin	US\$ 14 million (€ 12.7 million)

Source: Forbes Staff, 2016, Klebnikov, 2016, Transfermarkt, 2017, ESPN Staff (B), 2015

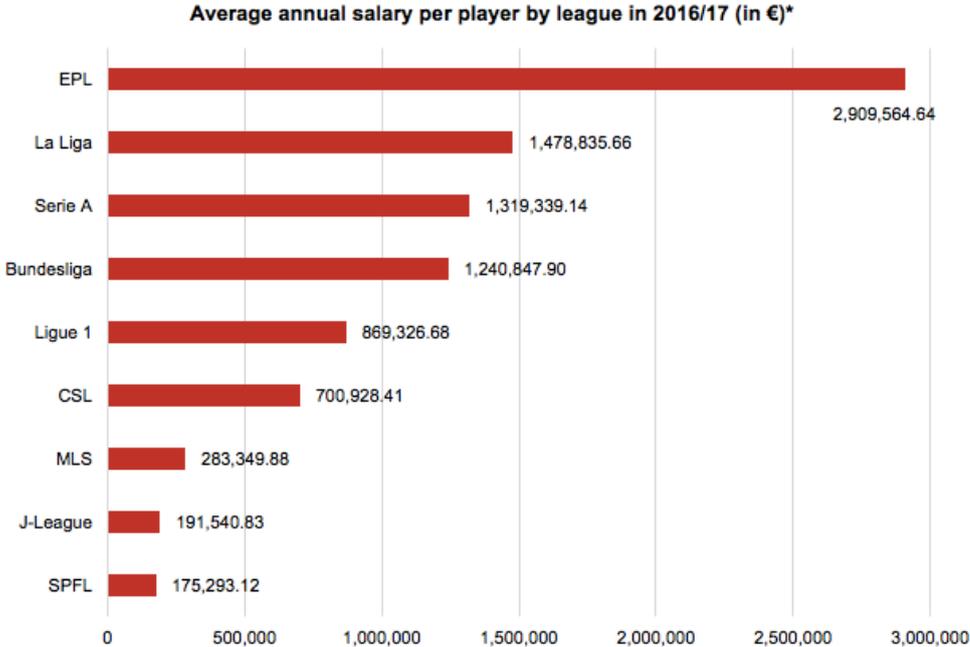
**Appendix 26:**



Sources: Sporting Intelligence, 2014 to 2016

\*Sporting Intelligence did not calculate 2015 CSL average annual salary per player

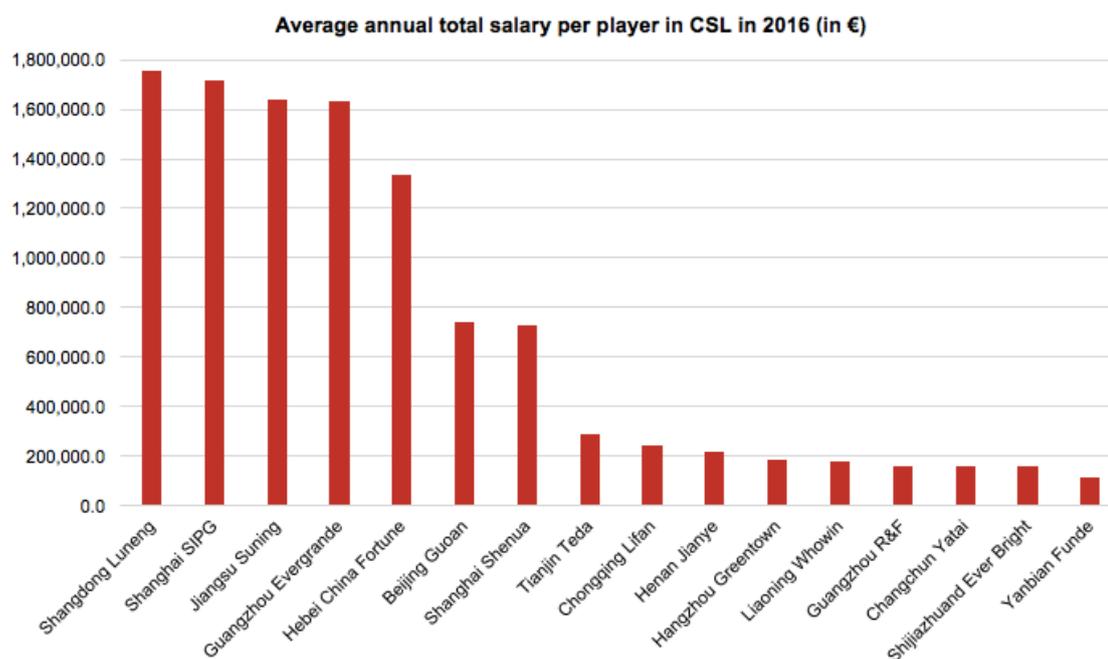
**Appendix 27:**



Source: Sporting Intelligence, 2016

\*Figures of CSL, MLS, J-League are of the year 2016

## Appendix 28:



Source: Sporting Intelligence, 2016

Team	Avg. Salary (US\$)	Avg. Salary (€)
Shandong Luneng	1,943,084.00	1,756,559.92
Shanghai SIPG	1,896,633.00	1,714,567.93
Jiangsu Suning	1,813,667.00	1,639,566.15
Guangzhou Evergrande	1,803,846.00	1,630,687.91
Hebei China Fortune	1,477,333.00	1,335,518.14
Beijing Guoan	821,034.00	742,219.80
Shanghai Shenhua	807,900.00	730,346.58
Tianjin Teda	318,507.00	287,932.29
Chongqing Lifan	271,250.00	245,211.67
Henan Jianye	236,415.00	213,720.62
Hangzhou Greentown	205,635.00	185,895.31
Liaoning Whowin	199,570.00	180,412.51
Guangzhou R&F	178,042.00	160,951.07
Changchun Yatai	177,945.00	160,863.38
Shijiazhuand Ever Bright	171,482.00	155,020.79
Yanbian Funde	123,377.00	111,533.57

## Appendix 29:

### Highest and lowest average annual salary per player by league in 2016/17\*

League	Highest paying club	Avg Annual Salary	Lowest paying club	Avg Annual Salary	Ratio H/L
EPL	Man Utd	6,885,273	Burnley	1,138,894	6.1
La Liga	Barcelona	6,740,993	Leganes	324,992	20.7
Ligue 1	PSG	5,342,154	Nancy	248,663	21.5
Bundesliga	Bayern Munich	4,970,761	SV Darmstadt 98	357,151	13.9
Serie A	Juventus	4,746,387	Crotone	370,029	12.8
CSL	Shangdong Luneng	1,756,560	Yanbian Funde	111,534	15.8
SPFL	Celtic	856,614	Hamilton	50,840	16.9
MLS	New York City FC	741,070	FC Dallas	142,922	5.2
J-League	Urawa Red Diamonds	344,085	Ventforet Kofu	84,795	4.1

Source: Sporting Intelligence, 2016

\*In green the highest number of the column and in red the lowest.

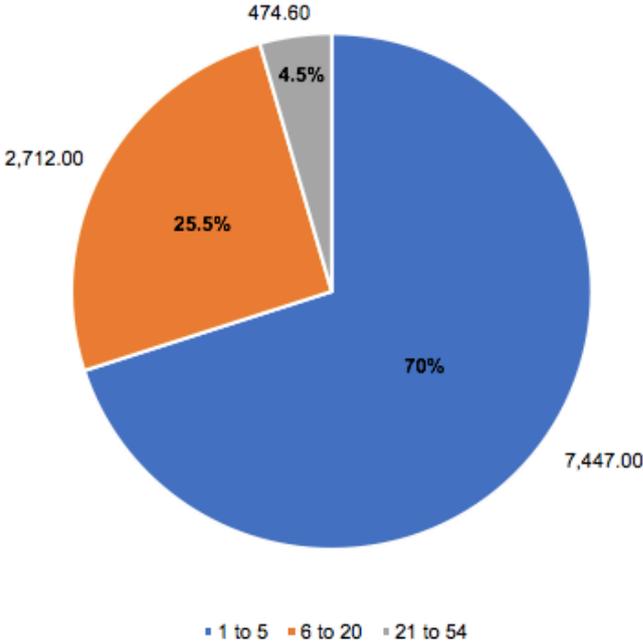
**Appendix 30:****Top 18 highest paid football players in CSL in 2017 (salary per year)**

1. Carlos Tevez (ARG)	Shanghai Shenhua	€ 37,500,000
2. Oscar (BRA)	Shanghai SIPG	€ 24,400,000
3. Hulk (BRA)	Shanghai SIPG	€ 20,000,000
4. Axel Witsel (BEL)	Tianjin Quanjian	€ 16,000,000
5. Graziano Pellè (ITA)	Shandong Luneng	€ 15,000,000
6. Asamoah Gyan (GHA)	Shanghai SIPG	€ 14,800,000
7. Ezequiel Lavezzi (ARG)	Hebei China Fortune	€ 14,000,000
8. Ramires (BRA)	Jiangsu Suning	€ 13,000,000
9. Jackson Martinez (COL)	Guangzhou Evergrande	€ 12,500,000
10. Alex Teixeira (BRA)	Jiangsu Suning	€ 12,000,000
11. Burak Yilmaz (TUR)	Beijing Guoan	€ 8,000,000
12. Dario Conca (ARG)	Shanghai SIPG	€ 7,500,000
13. Paulinho (BRA)	Guangzhou Evergrande	€ 7,000,000
14. Renato Augusto (BRA)	Beijing Guoan	€ 6,500,000
15. Stephane Mbia (CAM)	Hebei China Fortune	€ 6,250,000
16. Freddy Guarín (COL)	Shanghai Shenhua	€ 6,200,000
17. Elkeson (BRA)	Shanghai SIPG	€ 6,000,000
18. Obafemi Martins (NIG)	Shanghai Shenhua	€ 5,800,000

Source: Dias, 2017

**Appendix 31:**

**European football leagues total wages distribution by group of leagues in 2015 (in € million)\***



Source: UEFA (A), 2015.

\*In Europe, there are fifty-four leagues in total. In this graph, leagues are ranked by total wages expenditure.

## Appendix 32:

### Average European clubss wages ranked by the final league position in the 2014/15 (in € million)

Ranks/Difference	EPL	La Liga	Serie A	Bundesliga	Ligue 1
1 to 4	269	202	155	146	128
<i>Difference</i>	<i>- 125</i>	<i>- 153</i>	<i>- 86</i>	<i>- 72</i>	<i>- 81</i>
5 to 8	144	49	69	74	47
<i>Difference</i>	<i>- 58</i>	<i>- 30</i>	<i>- 35</i>	<i>- 37</i>	<i>- 25</i>
Rest	86	19	34	37	22

Source: UEFA (A), 2015.

## Appendix 33:

### Total European clubs' wages ranked by the final league position in 2014/15 (in € million)

Ranks	EPL	%	La Liga	%	Serie A	%	Bundesliga	%	Ligue 1	%
1 to 4	1,076	40.1	808	65.6	620	47.5	584	46.7	512	53.1
5 to 8	576	21.5	196	15.9	276	21.2	296	23.7	188	19.5
Rest	1,032	38.5	228	18.5	408	31.3	370	29.6	264	27.4
<b>Total</b>	<b>2684</b>	<b>100.0</b>	<b>1232</b>	<b>100.0</b>	<b>1304</b>	<b>100.0</b>	<b>1250</b>	<b>100.0</b>	<b>964</b>	<b>100.0</b>

Source: UEFA (A), 2015.

## Appendix 34:

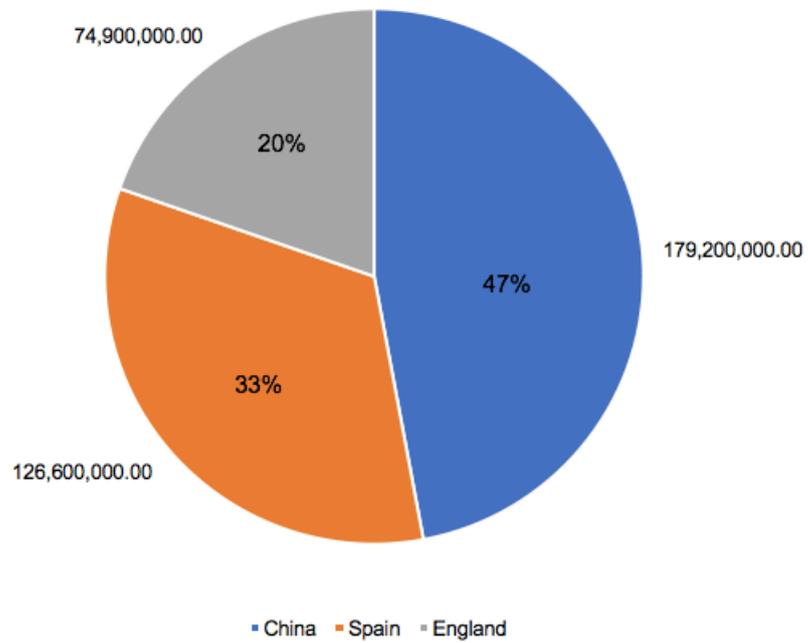
### Top 20 highest paid football players worldwide in 2017 (salary per year)

1. Cristiano Ronaldo (POR)	Real Madrid (ESP)	€ 38,900,000
2. Carlos Tevez (ARG)	Shanghai Shenhua (CHN)	€ 37,500,000
3. Lionel Messi (ARG)	Barcelona (ESP)	€ 36,000,000
4. Oscar (BRA)	Shanghai SIPG (CHN)	€ 24,400,000
5. Hulk (BRA)	Shanghai SIPG (CHN)	€ 20,000,000
6. Gareth Bale (WAL)	Real Madrid (ESP)	€ 19,500,000
7. Paul Pogba (FRA)	Manchester United (ENG)	€ 17,700,000
8. Neymar (BRA)	Barcelona (ESP)	€ 17,600,000
9. Axel Witsel (BEL)	Tianjin Quanjian (CHN)	€ 16,000,000
10. Wayne Rooney (ENG)	Manchester United (ENG)	€ 15,800,000
11. Pellè (ITA)	Shangdong Luneng (CHN)	€ 15,000,000
12. Asamoah Gyan (GHA)	Shanghai SIPG (CHN)	€ 14,800,000
13. Luis Suárez (URY)	Barcelona (ESP)	€ 14,600,000
14. Sergio Agüero (ARG)	Manchester City (ENG)	€ 14,000,000
15. Yaya Touré (CIV)	Manchester City (ENG)	€ 14,000,000
16. Ezequiel Lavezzi (ARG)	Hebei China Fortune (CHN)	€ 14,000,000
17. Zlatan Ibrahimović (SWE)	Manchester United (ENG)	€ 13,400,000
18. Ramires (BRA)	Jiangsu Suning (CHN)	€ 13,000,000
19. Jackson Martinez (COL)	Guangzhou Evergrande (CHN)	€ 12,500,000
20. Alex Teixeira (BRA)	Jiangsu Suning (CHN)	€ 12,000,000

Source: Pereira, 2017

## Appendix 35:

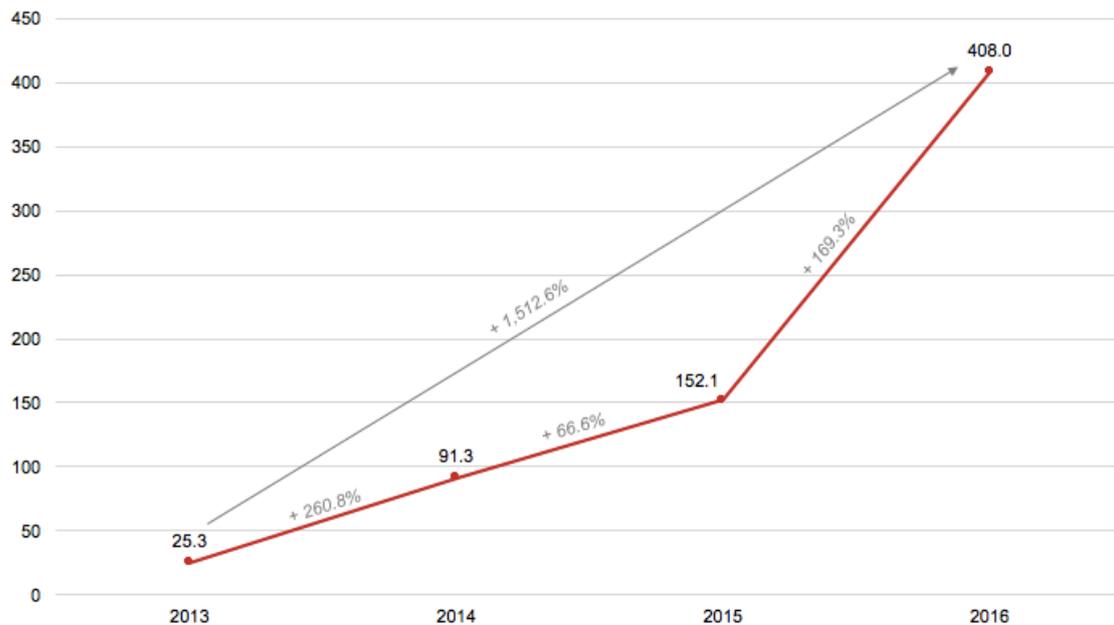
Total annual salaries of the 20 highest paid footballer per country (in €)



Source: Pereira, 2017

## Appendix 36:

China total spending in transfers (in € million)



Source: FIFA (E), 2017

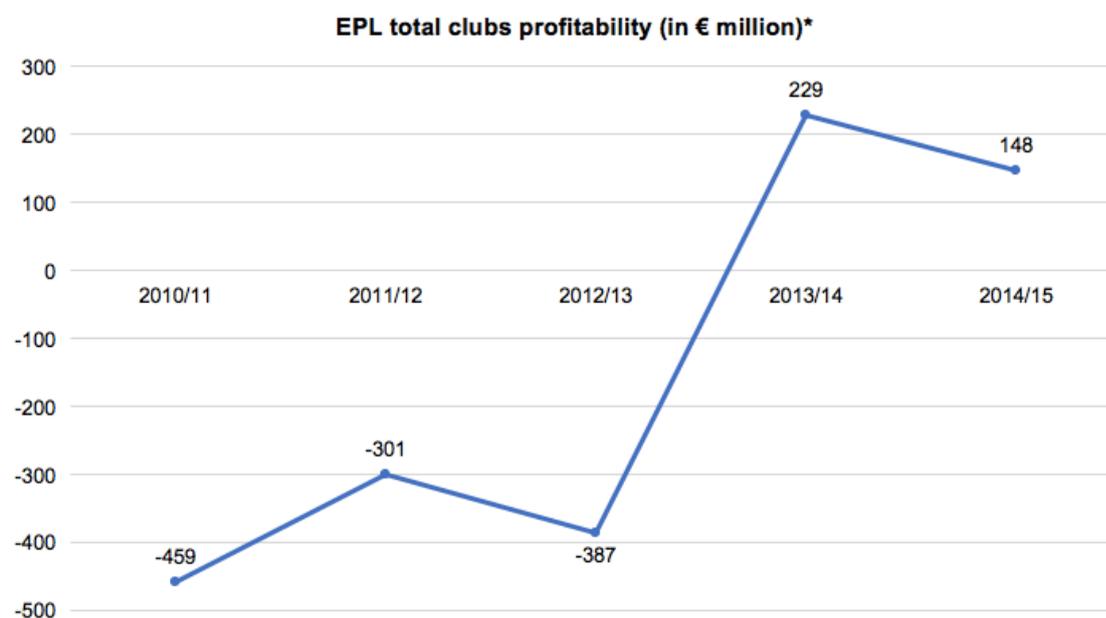
## Appendix 37:

### Net result of transfers by country in 2016 (in € million)

	Total spending	Total receipts	Net result
England	1,241.0	282.8	-958.2
Germany	521.1	324.3	-196.8
Spain	459.9	501.3	41.4
Italy	459.7	439.5	-20.2
China	408.0	9.5	-398.5
France	187.8	410.2	222.5
USA	22.8	14.6	-8.2

Source: FIFA (F), 2017

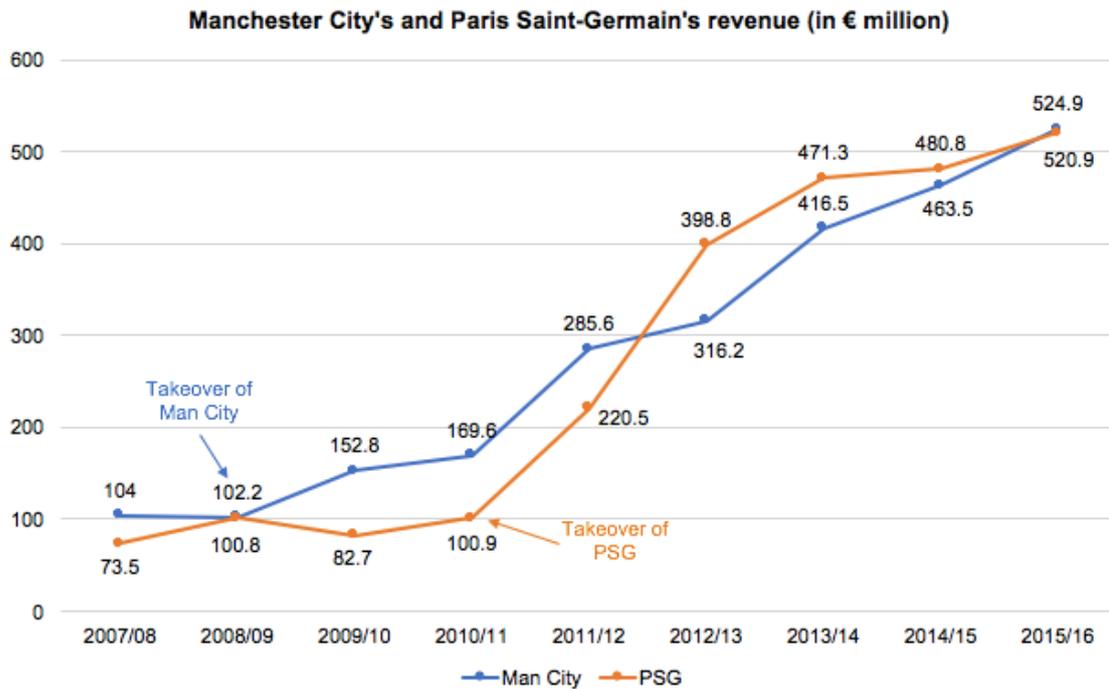
## Appendix 38:



Source: Deloitte (A), 2016

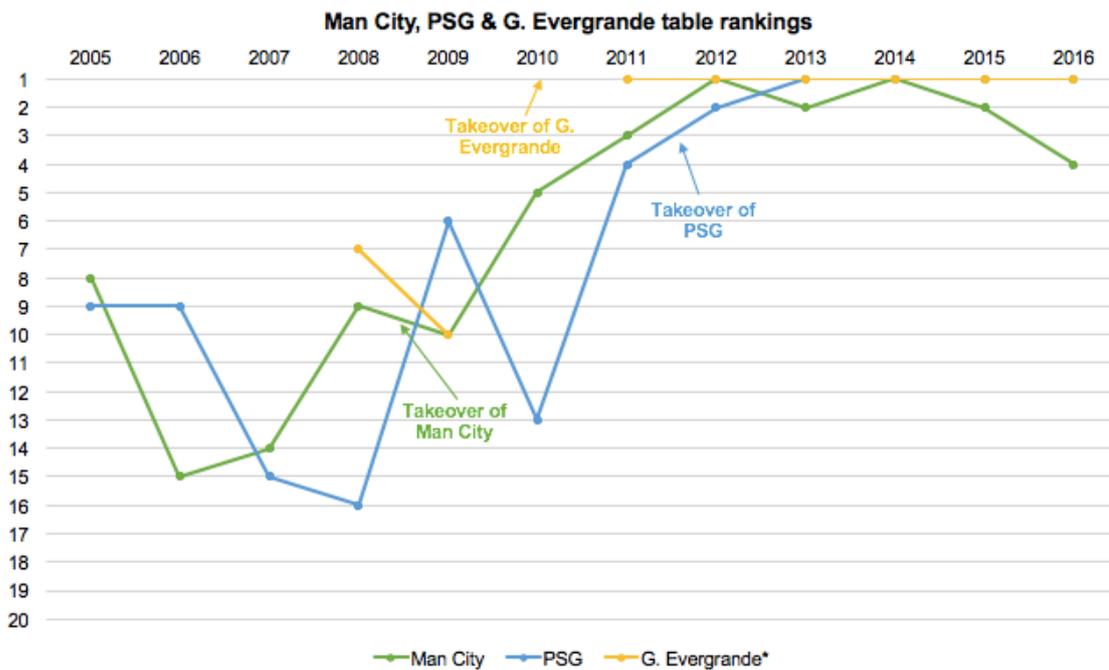
\*With players trade and exceptional items

## Appendix 39:



Source: Deloitte, 2009 to 2017 & DNCG, 2009 to 2011

## Appendix 40:



Source: Transfermarkt, 2017

\*There is no data for Guangzhou Evergrande before 2008. The club was also relegated to the second division in 2010

**Appendix 41:**

**Non-Chinese clubs owned or partially owned by a Chinese investor in 2017\***



*Source: Charlsh & De Clercq, 2016, Wanxia (A), 2017, Fiore, 2017, TMT Post, 2016 & Pham, 2016*

\*More information on the next page.

Club (Country, division)	Investor	Stake	Deal value (in € million)
A. AC Pavia (ITA, 3 <sup>rd</sup> )	Pingyi Shanghai Equity	100%	1
B. ADO Den Haag (NED, 1 <sup>st</sup> )	United Vansen	100%	8.05
C. Aston Villa (ENG, 2 <sup>nd</sup> )	Rui Kang Pharmaceutical	100%	77.74
D. FC Sochaux-Montbéliard (FRA, 2 <sup>nd</sup> )	Ledus Lighting Technology Ltd	100%	7.22
E. Lorca FC (ESP, 3 <sup>rd</sup> )	Shanghai Genbao	100%	Not disclosed
F. Newcastle Jets (AUS, 1 <sup>st</sup> )	Ledman Group	100%	3.32
G. West Bromwich Albion (ENG, 1 <sup>st</sup> )	Yunyi Guokai Shanghai Sports	100%	207.92
H. Wolverhampton Wanderers (ENG, 2 <sup>nd</sup> )	Fosun Group	100%	53.82
I. AC Milan (ITA, 1 <sup>st</sup> )	Sino-Europe Sports	99.93%	740
J. RCD Espanyol (ESP, 1st)	Rastar Group	99.35%	103.96
K. Granada CF (ESP, 1st)	Desports Group	98.13%	183.23
L. OGC Nice (FRA, 1 <sup>st</sup> )	Plateno Group & NewCity Capital	80%	< 101.7
M. SCU Torreense (POR, 3 <sup>rd</sup> )	Chen Qi	70%	Not disclosed
N. Inter Milan (ITA, 1 <sup>st</sup> )	Suning Commerce Group	69%	307
O. SK Slavia Prague (CZR, 1 <sup>st</sup> )	CEFC China Enery Company	59.97%	Not disclosed
P. AJ Auxerre (FRA, 2 <sup>nd</sup> )	ORG Packaging Co	59.95%	7.02
Q. Birmingham City (ENG, 2 <sup>nd</sup> )	Trillion Trophy Asia Ltd	50.6%	13.54
R. Atlético Madrid (ESP, 1 <sup>st</sup> )	Wanda Group	20%	47.01
S. Olympique Lyonnais (FRA, 1 <sup>st</sup> )	IDG Capital Partners	20%	100
T. Manchester City (ENG, 1 <sup>st</sup> )	CITIC Capital & China Media Capital	13%	361.6

Source: Charlish & De Clercq, 2016, Wanxia (A), 2017, Fiore, 2017, TMT Post, 2016 & Pham, 2016

## **Appendix 42:**

### **Interview with Mr Amanuel ABATE, independent consultant who has worked several times with the UEFA**

#### **1. Do you believe that China can become a football superpower? If yes, why/how?**

*It depends on what is meant by football superpower. Financially yes, given the high transfer fees and salaries being offered. But is this sustainable? In pure football terms, it takes a lot of years to build such a project. Look at what Saudi Arabia, Qatar, Japan and South Korea have tried.*

#### **2. How did the English Premier League become such an attractive league?**

*The creation of the Premier League by a set of clubs saw the development of Pay-TV (Sky) and this in turn brought other broadcasting companies in the market. This raised the incomes for clubs through the last 20 years. Other footballer players got attracted and increased the international attraction on top of the already important international fan base due to the huge success of English clubs in Europe in the 60's, 70's, and early 80's. Moreover, the written press and access through Free-TV to highlights and the FA Cup helped to give a "free" or easy access to English football for fans at home and internationally.*

#### **3. Is there a business model/strategy for a country to develop itself in football?**

*I would rather say no, it takes a lot of years, resources, and motivation of people.*

#### **4. Why companies are interested to invest in football clubs?**

*A way of creating new relationships and improve the brand image by making it more "human".*

#### **5. Is there salary and transfer cap in Europe?**

*No, not in Europe because of the EU Law – Freedom of movement of workers.*

## **Appendix 43:**

**Interview with Professor Simon CHADWICK, Professor of Sports Enterprise & Co-Director of Centre for Sports Business at Salford University Manchester.**

**1. Do you think that China is using the right strategy to become a major player in football?**

*Yes, I do. They combine top-down and bottom-up investments, allied to a willingness to learn.*

**2. Some other countries that were historically not “football countries” (like USA, Qatar, Russia) have also tried to create a competitive football league but no one has succeeded to steal the limelight of the big five European football leagues, do you think that China has a better chance to set up a competitive football league?**

*The USA was market-led, Qatar is too small, and Russia has too many issues to deal with. China is rather different: rich, centrally coordinated, with clear intent.*

**3. Is there a possibility for China to create a competitive football league in which every club is profitable in order to avoid clubs cumulating debts like in some of the most famous European football clubs?**

*This will be difficult, although China has shown that it has an appetite manipulating data (which would help in helping clubs to report a profit).*

**4. Some Chinese clubs have paid huge amount of money for average/good foreign players, what can be the impacts on the development of Chinese football?**

*It's about learning. Chinese players can learn from some of the best in the world. It's also about providing heroes and icons to boost fan engagement.*

**5. Can Chinese football benefit from hosting a World Cup?**

*Yes, of course.*

**6. Why does the English Premier League generate so much revenue compared to other football leagues?**

*Mainly because of television revenues.*

**7. Is there a strategy/model for a country that has never been successful in football to transform itself in a major player in this sport?**

*Look at what France has done, or look at the English football association's blueprint for the future of football. This recommended the creation of a premier league. Look where we are now.*

**8. Does football leagues generally contribute to football federations' revenue?**

*Yes, of course.*

**9. Are football federations/associations all non-for-profit?**

*Yes, as far as I am aware.*

## **Appendix 44:**

### **Interview with Mr Cameron WILSON, founding editor of Wild East Football.**

#### **1. Why is football development such a priority for Xi Jinping?**

*China has always been failing in football but has been very successful in other sectors. The country has been successful in economic growth and, in term of sports, in the Olympics. Football has become an embarrassment for China. The country believes that this sport can have a real positive impact on society. Football is a chance for people to exercise more and also can push children to do something else than study in their spare time, which is a national concern. China also lacks of creative people, notably due to the educational system that fails to produce creative people, therefore China relies on football, which is considerably based on creativity, to help the country to face this issue.*

#### **2. Do you believe that China can become a football superpower? Has China a better chance than other countries that have also tried to compete with European football?**

*Eventually but not soon. If it has to happen it will not be before 20 years or even longer.*

*Football is becoming a more global sport. Before, it was highly centralised in Europe and South America. More recently, other countries have tried to compete with these two football poles but China is the only real challenger. China has notably attracted critics from European football because of the transfers they concluded.*

#### **3. Who is the Chinese football star? How much does he earn per year? How much do Chinese players earn in average?**

*Eventually Wu lei and Zhang Linpeng but they probably don't have the level to play in Europe.*

*There is no official data about Chinese players' salaries. The only thing I can say is that it varies a lot but I really don't know the exact amounts.*

**4. If Xi Jinping leaves the Chinese government in 2020, can it be a threat for Chinese football?**

*Not necessarily because the outgoing Chinese President generally has lots of influence on the following one.*

**5. Is the Chinese Football Association still linked to the Government?**

*The CFA "officialised" its independence from the Government but everybody knows that it is not possible to have a proper independence from the State in China. Just look at the 6 months ban that the Chinese player received or the transfer cap that was imposed on CSL clubs just before the season, that is absurd. Those decisions don't come from the CFA, they can only come from people that don't understand football. Those decisions come from above.*

**6. Is there any financial report of the CSL, CFA, or Team China?**

*Nothing official, China doesn't really make those things public. Even if there were some reports, I would not believe it.*

**7. Do you know the current ticket prices of a CSL or a national team game?**

*No, I don't have the official number but it has gone up since 2013. The season ticket for Shanghai Shenhua FC is about RMB 1500 this year and last year it was about RMB 1000, if I remember well.*

**8. Do you think that China will try to host the 2026 World Cup? What could be the advantages for China to host a World Cup?**

*No, because it will come right after the World Cup in Qatar, which is in Asia, and the FIFA doesn't allow to have two consecutive World cups in the same continent.*

*It can definitely inspire people to follow the game. For example, a Champions League is more about money but a World Cup is really about football and can be more inspiring for people*

**9. Tom Byer, Rosselli on your website, and many other people mentioned that China must invest more in grassroots. The Chinese Football Association doubled grassroots funding for 2017, have you seen some improvements so far? If yes, can you give some examples?**

*It is good that they want to invest more in grassroots and have more football pitches but the problem in China is not about how they invest, but more about the Chinese mentality in general. They lack of a football culture and people playing in the street.*

*It is good to have more pitches but then where will they find coaches? They have welcomed many foreign coaches but China cannot fulfil the entire need of coaches with foreigners. The country needs to produce its own coaches.*