

The Sport Industry Market Review

Description: The Changing Role of Sport
Although some sports and physical activities are as old as civilisation, the way that sport manifests itself in society is always open to change. This Market Review examines these changes from three perspectives, each of which represents a group of 'consumer markets':

amateur participation in sport, including activities which are not competitive games but contribute to health and fitness (and including the facilities required for participation)

the demand for equipment, clothing and footwear that are suited to participation, including the suppliers and retailers of these sports 'goods'

professional sport, manifested as two separate markets for spectating and for media coverage. Spending on Sport

Attempts are made to evaluate sport in the economy - for example, one source has suggested a value of £15.2bn for the year 2000 - but definitions are problematic. Key Note has restricted its main estimates to direct consumer spending in five categories:

sports clothing

sports footwear

participation

equipment

spectating.

The £8.35bn value covers most consumer spending on sport, but excludes related costs such as transport, food and drink, which can be important for sports involving 'expeditions' (e.g. to waterways or the mountains).

On the other hand, the value for sportswear is considerably inflated by the purchase of sports clothing and footwear (e.g. fleeces and trainers) to be used as casual clothing, without actually being worn for sports participation.

It is also difficult to evaluate all elements of professional sport, but the £750m spectating value simply represents how much consumers spend on admission charges. (This excludes any expenditure on catering or merchandise, and also does not take into account the increasingly important corporate-hospitality income of sports venues.)

Subsidies and Sponsorship

The element of spending on sport which is the most difficult to estimate is the subsidy provided by the Government.

Fitness is seen as a public health issue, with governments encouraging a sporting lifestyle. Local authorities are crucial for providing subsidised sporting opportunities at leisure centres, swimming pools and playing fields - for example, the national lottery has contributed to many projects. Public subsidies for sport, both on a national and local scale, are worth well over £1bn a year.

Extra funding comes from the businesses that fund sports as sponsors, in return for having their names associated with a healthy, dynamic activity. Sports sponsorship spending has reached the £400m mark, having doubled in 10 years.

The Limits to Growth

Table 1 shows that spending growth by consumers has not been very dynamic in the past 4 years, amounting to an increase of 16.6%. The period between 1997 and 2001 was, however, a period of low inflation.

Table 1 also shows that there have been considerable variations in consumer spending by sector:

sportswear - spending grew by only 2%, with sports clothing and footwear taking slightly lower shares of the overall clothing and footwear markets in 2001 than in 1997. Fashions have shifted to

denim and non-sports designer labels, although the sporty look in leisure is permanently established. The low growth rate really reflects falling prices, with the strong pound making imports cheaper than ever from the low-cost labour countries, many of which manufacture sportswear. equipment - this sector also has competitive pricing, although participants do not usually hunt for 'bargains', but rather look for quality. Instead, the slow growth is because equipment demand has suffered from the shift towards simply keeping fit instead of finding the time to play an 'equipped' sport.

participation - spending rose by a healthy 36.4% because consumers have shifted from sports as games to fitness activities, increasingly centred in an expensive gym or health club.

spectating - expenditure grew by an impressive 57.9%, although this mainly took place in the mid-to late 1990s when football clubs, in particular, were charging more to recoup their investment in new or improved all-seater stadia. The spectating market reached a plateau in 2001.

The Popular Sports

Swimming and walking are the leading activities - if sport is broadly defined - each involving one in five adults. Of the organised games and sports, snooker (9.1% of adults) and golf (8.3%) are the most popular. Other indoor games of note are darts and badminton, while football and tennis are the other top outdoor sports.

The rate of participation for these, and especially the minor activities, are determined by a combination of gender, age and affluence. Aerobics and keep-fit classes involve mainly women, while men dominate in fishing, for example. Young adults and teenagers are drawn to 'extreme sports' such as hang gliding, while there are gentler games (such as bowls) for the older sports enthusiast.

The Sports to Watch and Read About

A different list of sports comes up when media coverage of professional sports is considered. Swimming and aerobics, for example, obviously have a low media presence. Football dominates in the media (with live spectating being even more popular than viewing through media), but snooker, athletics and motor racing are popular on television, if not 'live'.

Tennis also appears in the 'watch and read about' lists, but this mainly reflects the popularity of The Championships, Wimbledon. Several sports have their outstanding events but are ignored by the majority for much of the year, including athletics (Olympic Games) and horse racing (Grand National).

Consolidation among Leading Sports Companies

In the sports industry, as in other areas, the trend is towards consolidation into a smaller number of major players, these usually being multinationals. (Nike, Reebok and adidas-Salomon continue to dominate the world's sportswear, with Pentland Group and Hi-Tec being among the UK's own competitors.)

In sports retailing, recent ownership changes have left the UK High Street with four major players - Blacks Leisure Group, JJB Sports, JD Sports and All:sports - which have 1,600 outlets between them.

Health clubs, the other main area for sport-related investment, now features six groups with nearly 500 clubs (and over one million members) among them.

In professional sport, football is ever more dominant. Within it, major championships are the focus of attention, with trophies being increasingly likely to be won by just a handful of clubs.

Sports equipment is the exception in the market, offering few economies of scale and remaining a fragmented supply. However, Dunlop Slazenger, the UK's largest equipment company, is strong in several sports.

Prospects Mixed for the Early 2000s

The early 2000s have fully illustrated the volatility inherent in sport. In 2001, the foot-and-mouth outbreak wreaked havoc with outdoor pursuits. Following this, the events of 11th September 2001 threatened the future of international events.

In 2002, however, an air of optimism has been restored by a successfully staged football World Cup in Japan and Korea, and the UK has the Commonwealth Games to host. On the debit side, the collapse of ITV Digital threatens the viability of many smaller football league clubs in the coming

seasons.

Key Note's field research into consumer attitudes conducted for this report also showed mixed results. While 89% of those surveyed said that 'the England football team has given the country a boost by playing well in the World Cup' (the remaining 11% were mainly from Scotland and Wales), almost as many heavily criticise expensive replica kits and overpaid professionals. For the future, the public believe that 'investing in sport should be a high priority for the Government'.

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