

Sports Licensing Development Between USA And China

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Abstract: This paper explores the intricacies of sports licensing in two major markets: the United States and China. It delves into the historical evolution of sports licensing, beginning with character-based merchandise and evolving into a multi-billion-dollar industry encompassing a wide range of products. The U. S. market, with its mature and standardized sports licensing industry, is contrasted with China's developing market, which is experiencing growth in brand value and sales. The paper also examines the current challenges in China's sports licensing, such as limited product diversity, quality control issues, and the need for market expansion. Additionally, the unique aspects of licensing agreements, royalty structures, and the impact of key figures like Yao Ming on the global sports licensing landscape are discussed. A comparative analysis between the two countries reveals differences in market size, structure, and maturity, highlighting the potential for growth and development in China's sports licensing industry.

Keywords: Sports Licensing; Market Analysis; Quality Control; Licensing Agreements; Royalty Structures

1. Introduction

The sports licensing industry represents a significant sector in the global economy, intertwining the realms of sports, marketing, and commerce. This paper aims to dissect and compare the sports licensing landscapes in two pivotal markets: the United States and China. In the U. S., sports licensing has a long-standing history and a well-established market, characterized by a diverse range of products, sophisticated quality control mechanisms, and deep-rooted licensing agreements with major sports leagues. Conversely, China's sports licensing industry, though burgeoning, faces challenges in product diversity, quality

standards, and market penetration. This paper will analyze the historical context of sports licensing, starting from its early days with character merchandising to its current status as a key component of sports and brand marketing. The focus will then shift to examining the current state of sports licensing in China, evaluating its growth, challenges, and the influence of figures like Yao Ming on the industry. By comparing these two markets, the paper aims to uncover the nuances of sports licensing, its economic impact, and the opportunities and hurdles that lie ahead for the industry's growth, particularly in China [1-5].

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2. History of Sports Licensing

Believe or not, the licensing started with

cartoon characters, the sale of modern goods actually began in the 1870s, when people thought that Adolphus. Busch allows manufacturers to produce and sell wine keys, including small blades and tin paper. In 1903, Beatrix Porter was thought to have designed a plush toy. PETER RABBIT of the characters in the book. She first wrote it and published it herself in 1901, the oldest permitted character. In 1904, he created the New York Herald cartoonist Richard Okut (Richard Outcault). As part of the comic book debut, the BUSTER BROWN character. In 1902, more than 20 characters were granted the right to use the role—Licensee, including shoes introduced in 1904. World's fair. In the same year, Brown shoes Company bought. BUSTER BROWN's license is reported to be \$200. the company real develop the licensing is Walt Disney, Stephen Sleisinge bought the right to sell goods in the United States and Canada in 1930. characters and television, recording, and other rights. Sleisinge. He is one of the pioneers of the modern licensing industry, and his company with a turnover of 50 million US dollars. the character has created a lot of money for more than 30 years.

Records, board games, and puzzles, as well as broadcasts and movies. In 1961, the Walt Disney Company acquired from Slesinger produce licensing. It is a global idol and one of the symbols of Disney in the world. Then thousands of different products have been obtained.

As sport licensing, in 1952, Topps took the market on baseball cards. the first packets cost only a nickel and contained six cards and a piece of bubblegum. These were a huge hit with fans young and old, with the brand still going strong today. In the mid of 1950s, Screen printing was extremely popular for sports teams. Keychains, baseball hats, t-shirts, and many other products could be printed with the team's logo, name, or mascot thanks to this technology. However, until the end of 1970, fans could find athlete's jersey, the advertisement for the first team jersey can be found in the 1971 advertisement in Sports News. the Ad is buried deep in the publication and offers customized sweatshirts, each starting at \$10.50 (Mertes, 2020).

With the sport league and the market kept growth in the past 70 years, the sales of licensed sports products from a certain

perspective. In 2010, the value of goods licensed for global sales was approximately US\$200 billion. Of the \$200 billion in annual sales, approximately \$25 billion is related to sports.

3. Sports Licensing in United States

The North American sports licensing industry is still on a stable growth path in the past decades. With the globalization of the economy, there have been some new developments and changes. the four major professional sports leagues and NASCAR (American Motor Racing) make the greatest contribution to the industry. They occupied 73% of the market share of the sports licensing industry. Sports and entertainment marketing companies such as ESPN have also joined the sports licensing competition in the 2000s.

Sports licensed products influence the brand image and sports teams, for example, many sports leagues in North America have a considerable number of fans and influential sports. the primary sport and other brands had a collaborating promotion, and it's successful. For example, ADIDAS and REEBOK using the logo of their two companies on some sports licensed products, and that product sales number is double-timed as a single logo on the product. This business model expands the scope and quantity of licensed products significantly.

The licensing teams comes from four major leagues in U. S. These organizations allow third parties (such as clothing suppliers) to use the team's logo on video games, clothing, and other merchandise. the seller retained a portion of the profits of its role in the production and sale of clothing, but the sports association also made money in exchange for granting the seller the right to use the team's logo. Jersey is main income of merchandise licensing products.

Royalty rates: the National Football League first started a formal licensing program in 1963, and the first licensed company was "Sports Specialty". Royalties at the time were reduced by 5%. However, according to the recent news and professional sport league's business plan, the royalty raised to 14% for average rate, as **Figure 1.**

While, as the NCAA required, NCAA turned a blind eye to the fact that its member institutions gave Nike, Adidas and Under

Armours specific numbers to match their best players. These schools know the reality of this situation, that is, the number corresponding to

the star sells better than the average number 1.

Scott Silcox's chart of North American Sports Leagues Royalty Rates - ssilcox@rogers.com <http://blog.heritagesportsart.com/>
 Updated September 2016

	MLB	NBA	NHL	"NCAA"	NFL
1 Standard royalty rate for most sales/products/licensees:	14%	13%	12%	8%-12%	***
2 Royalty rate for sales to distributors:	17%	13%	15%	N/A	***
3 Royalty rate for sales of products branded with the league's historic/heritage collection logo:	15%	13%	12%	10%-14%	N/A
4 Royalty rate for products jointly licensed by the league & the players' association:	19%*	13%	18%*	N/A	***
5 Royalty rate for sales of "Premium Products":	TBA*	TBA*	TBA*	N/A	***
6 Royalty rate for sales of special event products (Super Bowl, World Series, etc.):	17%	TBA*	15%	10%-15%	***
7 Royalty rate for sales of special event products to distributors:	20%*	TBA*	18%	N/A	***

By "NCAA" I mean CLC, LRG, SMA and self-licensed schools

* I would appreciate confirmation of this rate by other licensees

***: The NFL has asked me not to publish these rates - strange but true. Looking at the MLB rates might give you a pretty good estimate.

Figure 1. Sports Specialty

There are about 2500 colleges and universities in the US. Some people are tempted to call this "NCAA Licensing", but the NCAA has a very specific meaning and doesn't represent anywhere close to all 2500 schools, it's best to use the expression "US college licensing. Well, Texas likely realized somewhere around \$15 million in royalties from the sale of its merchandise, If the more than 500 LSU licensees generate annual sales worth \$90 million (mainly wholesale sales, but of course some are sold directly to consumers). At an average royalty rate of 14%, this means that the 500 licensees may have generated royalties of about \$12 million (compared to Texas and its \$15 million). CLC collects these royalties on behalf of LSU. CLC will then retain about 10-15 per cent of the royalties as service fees, and the university will receive 85 per cent of the balance of 90 per cent. As a result, LSU will receive a check for \$10.5 million from CLC.

The "quality control" (QC) process used by each alliance. the differences between alliances may be small, but the principles are exactly the same-before producing and selling a product, the product and its accompanying packaging need to be approved by the alliance's quality control department. Think of the quality control process as a huge funnel through which all products must go before, they can be put on the market. In the end, by using the QC process, the alliance can best control its image, product quality, and so on. For alliances, the QC process measures how well they promote

their brands and require them to achieve a level of excellence.

Sometimes, in a hurry to bring the product to market, the licensee "forgets" the quality control approval process and brings the product to market because they are certain that the product will be approved. or they submit the product and mass produce the product through the quality control process while continuing. In short-this is a dangerous game and a way to lose a license. Like Fanatics which is the biggest online sports licensing retailer. So, even you registered in the CLC or any other sports leagues MLB, NBA, NFL, there are still many requirements. Here is the official letter of MLB about how to use their logo.

If your product idea requires the name, uniform number, image or portrait of current players, if your product idea requires the name, uniform number, image or similar picture of the current player, you will need NFL-NFLPA joint licenses. NFLPA www.nflpa.com www.nflplayers.com represents all active players. They will not ask you to produce products for all 1800 current NFL players, but they may make some requirements about who you can use and how many players you must use. If the NFL license requires a royalty of 12%, the joint NFL-NFLPA license will charge a royalty of 18%. If your product idea requires the name, uniform number, image or portrait of one or more retired players, it will become more complicated. This is because none of the NFL, NBA, MLB, NHL has an all-inclusive

alumni association representing all the league's retired players. As a result, there is a daunting task of determining who represents their license, and in many cases, this will result in having to spend a lot of time and money tracking retired players (if they are dead, then their families) and conduct separate negotiations. In short, the main lesson of this blog is that if the product idea does not involve existing or retired participants, it will become easier and cheaper.

4. Sports Licensing in China

In recent years, with the development of sports market in China, sports products sold more than ever. Some professional leagues in China have carried out the management of sports licensing. In 2008 Beijing Olympics, the Friendlies, the direct sell of the mascots nearly Chinese Men's Basketball League has successful collaborate with many different merchandisers for years. Most of revenue from the sport licensing is CBA jersey, After the opening up, China has started to attend the Olympics games and sports brands gained popularity in 1970s, ten years later, NBA started to be on television in China, NBA licensing merchandise have been very popular, after that more and more international sports brands entered China to sell their licensing products, domestic brands also showed fast growth. And recently years NFL NHL and UFC are trying to enter China as well, but not successful like NBA, don't even mention the licensing products.

Thanks almost entirely to newly selected Hall of Fame player Yao Ming, NBA players' shoes have been traded and marketed all over the world over the past decade. According to NBA, this influence has had a huge impact on Yao Ming's hometown since it became the first place for the Houston Rockets to enter the league in 2002. At present, Yao Ming has 300 million people playing basketball in China. At that time, his image of endorsing deals and commercials around the world was becoming more and more obvious, and he had a continuous chain reaction to the players who followed this generation. Prior to this, participants negotiated with a few brands with different relevance. Now, Yao Ming's influence across China has soared, inspiring four famous Chinese footwear brands-Peak, Anta, Li-Ning and 361-to sign NBA players as

the main spokesmen. After Yao Ming entered the league, basketball fans in China usually broadcast two NBA games a week. A large subtitle match will be broadcast live on Saturday, while Sunday will show key games earlier in the week. After Yao Ming's arrival, everything changed, and the league sought more online partners to broadcast more games. With the improvement of popularity and the continuous increase of Chinese audience, the overseas marketing opportunities of players have soared. In 2017, the 37-year-old Yao Ming became president of the Basketball Association. In 2020, he has been elected chairman of the International Basketball Federation (FIBA) Asia at the General Assembly in Bengaluru in India.

5. Current Issues in Sports Licensing in China

The licensed sports products in the league are a kind of "fans products", which can increase the loyalty fans also increase income for the league. At present, the management of sports franchised products developed by various leagues is still unsatisfactory: the promotion of products is not enough, and the important publicity significance of sports licensing products to sports league brands has not been emphasized; the product categories are relatively single, mostly mascots, star cards, and sports goods; product quality needs to be improved, and there is still a big gap compared with the sports logo products of North America sports leagues; sales channels are relatively narrow, and the relevant market and industry scale have not been formed. the Chinese Men's Basketball League (CBA) licensed products are only sold in a few offline and online stores, and the products of other leagues have not been effectively marketed.

The current situation in China, sports club licensed products market is not optimistic. At present, the sports club licensing product market is dominated by North American professional sports clubs. Although club licensing stores had successful cases like the Guangdong Hongyuan team (CBA team), they have not yet formed a scale, and "cottages" are rampant. Besides, the sports team naming method of "team city+sponsor name" conventionally used by Chinese clubs makes the club have no relatively fixed name and logo, which hinders the development of

licensing products. In this specific marketing, here are some First, for companies participating in sports licensing product business activities, they have to bear greater risks in all aspects of development, production, and sales. Many companies are more willing to enter the sports sponsorship market because they don't need to take the risk of producing and selling sports licensing products. Therefore, it is necessary to lower the barriers to entry the business also attract enterprises to enter.

Second, expand the business scope and types of sports licensed products and establish stable and long-term collaboration relations with enterprises. However, in North American, the National Football League (NFL) has 150 licensed operators in apparel, sports goods, basketball cards and collectibles, school supplies, home furnishings, toys, home appliances, publications, gifts, etc. Formed a long-term and stable relationship, an industry scale and considerable business performance.

Third, sports licensed products represent the image of sports organizations. Therefore, the sports league management department should select companies with better brand images to enter the business activities, pay attention to the quality of sports licensed products and cooperate with well-known international and domestic brands to expand the influence of its own brand.

Fourth, sports leagues with limited operating capabilities may consider transferring the business of sports licensing products to intermediary companies. For example, the Chinese Men's Basketball League (CBA) once entrusted the operation of sports licensing products to the intermediary company "International Management Group". After the operating conditions and experience are more mature, independent management will be considered. Like CLC, this is the Licensing Division which manages the product licensing program for 700+ colleges and universities, as well as conferences, Bowl games, championships, etc. CLC is a collegiate licensing agency resulting from the 2018 merger of two industry pioneers, IMG College Licensing and Learfield Licensing Partners. And its licensing division focused on licensing administration, brand protection, trademark infringement (Sillcox).

Fifth, attach importance to the protection of

their licensing rights, be good at using relevant laws to protect their sports licensing rights, and actively participate in anti-piracy. So, the value and role of their sports licensing rights can be truly brought into the business.

Sixth, pay attention to the development and marketing of sports licensing products. Learn from the practices of foreign sports organizations through various sales forms such as on-site sales of games, direct mail orders, and store sales, and actively carry out promotional activities for sports licensing products, strengthen product advertising, Product launches, website promotion, interactive activities with consumers, opening of professional sports league theme shops, etc.

The development model of sports business needs to shift from government-led development to social-led development. To change, this requires government departments to reduce the degree of control over the sport, and to strengthen the monitoring of the events, to realize that "whoever invests is responsible for their own profits and losses, promotes the sports organizing committee to attach importance to the development of the economic value.

6. Comparing and Contrasting Sports Licensing in China and the U. S.

It can be seen from the development experience of the North American sports licensing industry that sports apparel products account for a top 60% share of sales and is also the most profitable sports licensing product category. China is the world's largest manufacturer of sports apparel products, and it is responsible for the manufacturing of many foreign brands of sports apparel products and brands. However, compare with North America, China is in the initial stage, the sports licensing market connected with the sports market, which means the sports market determined the development of sports licensing. the U. S. sports industry is vast, far surpassing China, here are some data. According to the forecast of Plunkett Research, the U. S. industry research organization, the U. S. sports industry market size was 498.4 billion U. S. dollars in 2015, accounting for 33% of the total global scale. Estimates by scholars, the added value of the U. S. sports industry reached US\$189.34 billion as early as 2005. In 2014, the total scale of China's sports and related

industries reached 1, 357.471 billion yuan (approximately US\$210 billion), with an added value of 404.098 billion yuan (approximately US\$63 billion), China's sports consumption scale lags far behind the United States. From the perspective of industrial structure, the U. S. sports industry is mainly contributed by sports consumption, which is centred on sports products, sports events, leisure and fitness. the first marketing segment is sporting products (including sports shoes and clothing, sports equipment not only licensing products), contributing USD 79.522 billion, accounting for 42.0%; the second-largest segment is the consumption of professional sports events (including competition day income such as tickets, sports advertising sponsorship, and authorized products), contributing \$5.2 billion, accounting for 18.6%; the third-largest segment is leisure and fitness consumption (including sports and fitness, sports training), contributing 28.378 billion yuan in added value, accounting for 15.0%; the fourth major segment is investment in stadium construction, contributing \$3.2 billion, accounting for 12.1%. [Source: Variety, Beijing to Host 2022 Winter Olympic Games] However, the structure of China's sports industry is unbalanced, and the manufacturing of sports goods is the main industry, and the development of the main industry-sports service industry is lagging behind. In terms of value-added contribution, sports goods manufacturing and sales accounted for 79.1%, sports event organizations (including professional sports, non-professional sports, and sports intermediaries) accounted for 7.8%, leisure fitness (including sports fitness, sports training) accounted for 5.7%, and sports Stadium construction and operation accounted for 5.1%, and sports lottery accounted for 2.3%. There are not many CBA or CSL (Chinese Football Association Super League) store offline, the only way you can buy jerseys beside the store in the stadium is online store. Even though sport licensing still has a long way to go.

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