

nielsen

AN UNCOMMON SENSE
OF THE CONSUMER™

CHINA AND FOOTBALL

**WORLD SPORT'S
NEWEST SUPERPOWER**



CHINA AND FOOTBALL

The growth of China in terms of its influence on the global sports business is no secret. Be it investors from China acquiring and investing in sports properties across Europe, international leagues and teams looking to tap into the country's enormous population to engage a new wave of fans, the buying or selling of key broadcast rights or China's strategic acquisition of major international sports events, the world of sport has well and truly woken up to the possibilities the market offers.

The world is looking to China and China, increasingly, is looking to the world. Led by strategies developed at a national government level, Chinese companies and individuals are making their mark on global sport like never before. Football, as the world's most popular and visible sport, has proved magnetic in its attraction: the list of clubs and agencies under Chinese control has grown substantially over the past two years, while at the same time the domestic Chinese Super League has risen in prominence, with fresh investment fuelling a number of eye-catching transfers from more established domestic leagues.

The global sports calendar is also increasingly littered with major events in China. Formula One has raced there since 2004, the FIBA Basketball World Cup is heading there in 2019 and in 2022 Beijing will become the first city to host both the summer and winter Olympic Games when it plays host to the winter version. Given the size and fluidity of the market and with new investments being made on a near-weekly basis, a detailed understanding of the Chinese consumer is more vital than ever. This Nielsen Sports report aims to provide an outline of that consumer, China's media landscape and where domestic and international football fits into the picture.

GLENN LOVETT

DANNY TOWNSEND

“

THE WORLD OF SPORT
IS LOOKING TO CHINA
AND CHINA, INCREASINGLY,
IS LOOKING TO
THE SPORTS WORLD.

”

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1

THE CHINESE CONSUMER

UNDERSTANDING THE CHINESE CONSUMER – THEIR LOCATIONS, HABITS AND PREFERENCES – IS A PRIORITY FOR ANY GLOBAL SPORTS ORGANISATION.

There are currently 1.3 billion mobile phones active in China.



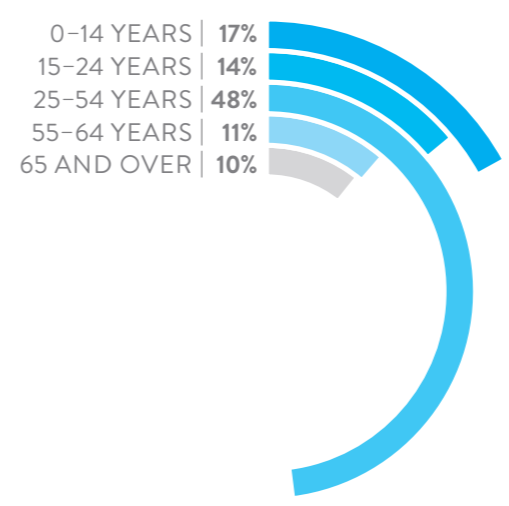
CHINA AT-A-GLANCE

China is a global powerhouse and it is no surprise that the sports industry – teams, federations, leagues and sponsors – are looking towards the country and its 1.37 billion people and eyeing major growth opportunities. As China looks increasingly outwards at the opportunities investment in sport at a global level can open up, so the world's leading sports leagues and teams have recognised the potential that exists to engage a large group of new fans and unlock revenue opportunities within China. Technology is opening up direct access to the Chinese consumer like never before, underlining the opportunity – in 2015, for example, the CIA World Factbook estimated there are now 1.305 billion mobile phones in the country.

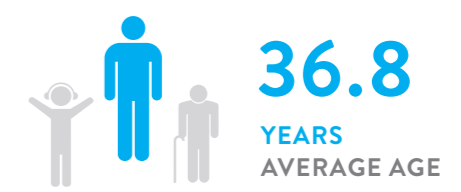
1.37
BILLION
POPULATION

July 2015 est. CIA World Factbook

AGE BREAKDOWN

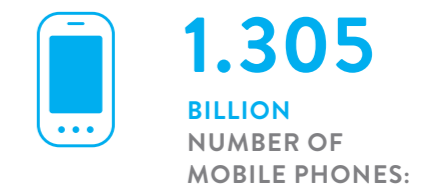
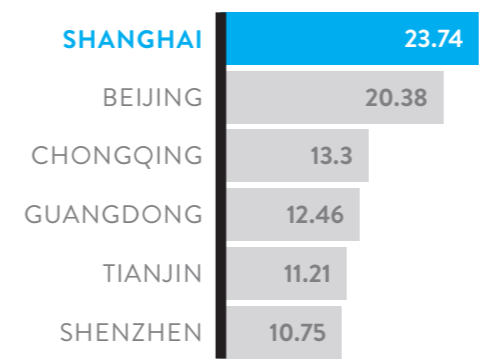


DEMOGRAPHICS



MAJOR CITIES

MILLIONS OF PEOPLE



Source: CIA World Factbook

STEADY GROWTH

Football accounts for three of the top five most popular sports events in China, with the FIFA World Cup and National Basketball Association heading the list. Table tennis' world championship is the only other non-football event to make the top five.

31%
OF URBAN CHINA
IS INTERESTED
IN FOOTBALL

In terms of sports overall, interest in football has been growing steadily over the last 3 years, and now stands at 31% of the urban population aged 16–59. Basketball is the country's most popular sport – the China Basketball Association, the top-tier basketball league in China, was founded in 1995, while the NBA has played games in the country for over a decade – ahead of traditional favourites, table tennis and badminton.

Sports such as cycling have grown in popularity recently, perhaps a result of the increased national investment in a number of Olympic sports in the build-up to Beijing's hosting of the 2008 Olympic Games. Motorsport and mixed martial arts are also growing strongly.

In terms of individual European football clubs, Real Madrid are currently the most popular team in China. Italian clubs FC Internazionale and AC Milan also make the top three, largely for historic reasons – Serie A was the first European league broadcast in China

MOST POPULAR EUROPEAN FOOTBALL CLUBS IN CHINA

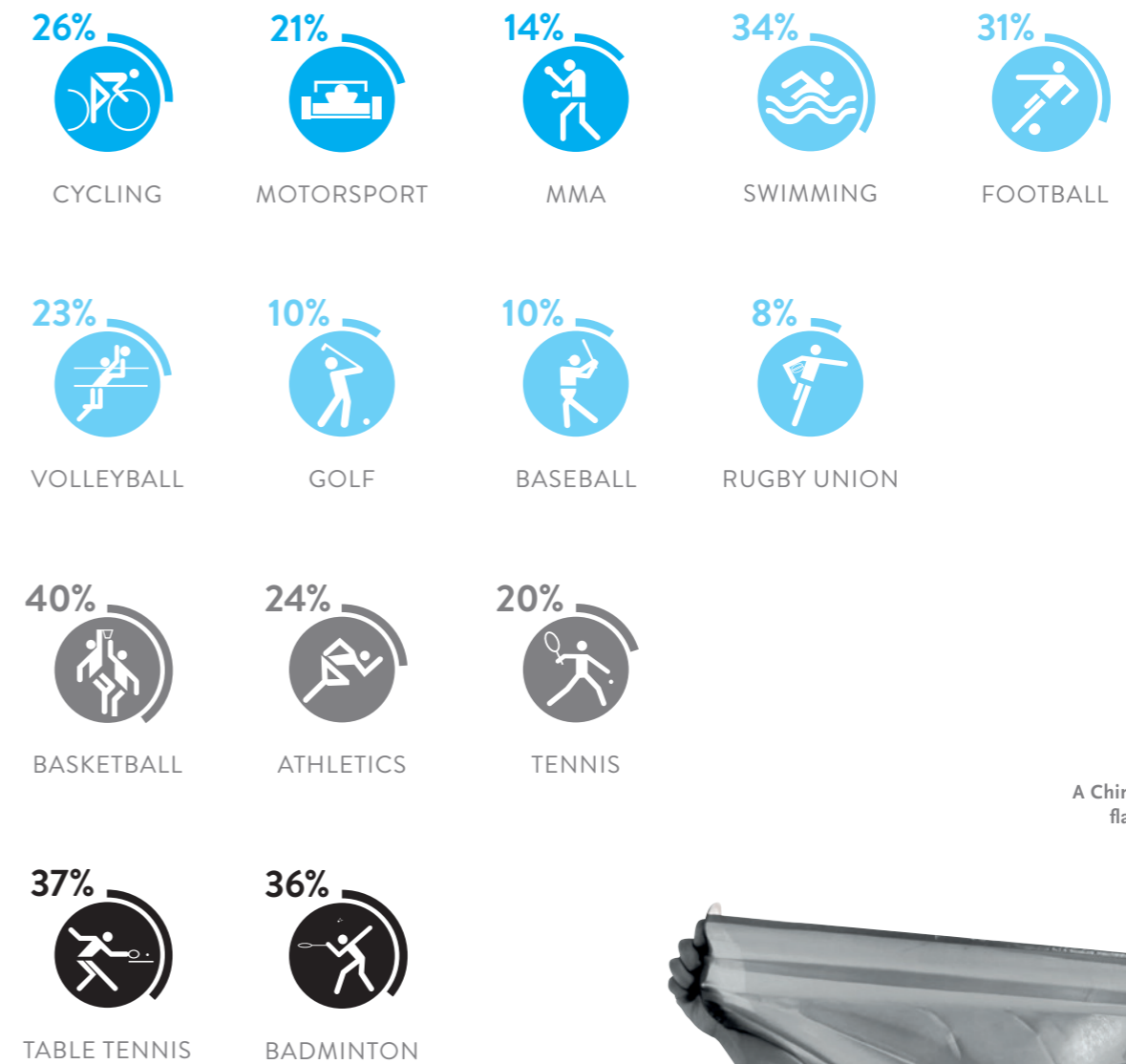


Source: Nielsen Sports, May 2015

CURRENT CHINESE INTEREST LEVELS IN SELECTED SPORTS (%)

COLOUR CODING INDICATES THE RATE OF CHANGE OVER THE LAST THREE YEARS

● STRONG GROWTH ● STEADY GROWTH ● PRETTY FLAT ● SLIGHT DECLINE



Source: Nielsen Sports (Urban China), May 2016

A Chinese fan holds the national flag to support the country's football team at the 2015 FIFA Women's World Cup.



MEDIA

CHINA'S MEDIA LANDSCAPE HAS CHANGED DRAMATICALLY OVER THE PAST DECADE, LED BY A NEW WAVE OF SPORTS BROADCAST PLATFORMS.



Celebrations during a live screening of the Super Bowl in Shanghai.

CHINA'S MEDIA LANDSCAPE

China's media landscape is transforming. The country has hundreds of television broadcast stations, 20 of which are operated by broadcast giant China Central Television (CCTV) with the rest either provincial or local city stations. It is also one of the world's major advertising markets.

A NEW BREED OF BROADCASTER

But a new wave of online media companies have emerged, reflecting the appetite of consumers and evolving technology, to challenge CCTV's historic dominance of premium domestic and international sports rights. These emerging giants are increasingly incorporating the live streaming of sports into a suite of services also including messaging platforms such as Tencent's QQ, WeChat, Sina Weibo plus retail and e-commerce, smartphones and games.

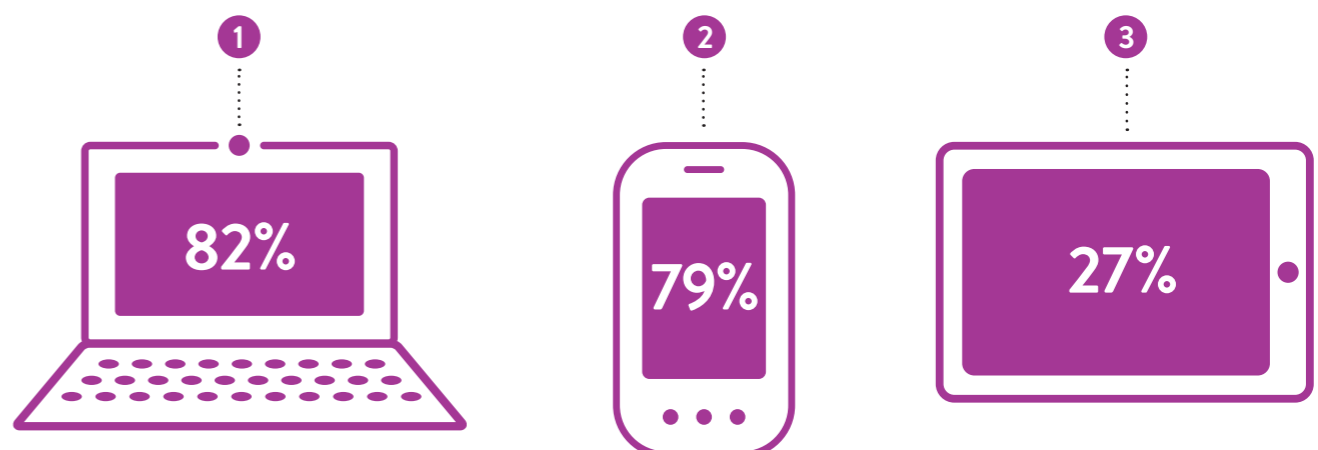
Of China's 1.37 billion population, there are currently 680 million active internet users, with 653 million of them active users of social media. 577 million of those people are active on social platforms via a mobile.*

While television is still a primary source of information for much of China's population, particularly in non-urban areas, mobile is now close to PC in terms of devices used to access online sports content.

*Source: We Are Social 2016 Digital Yearbook

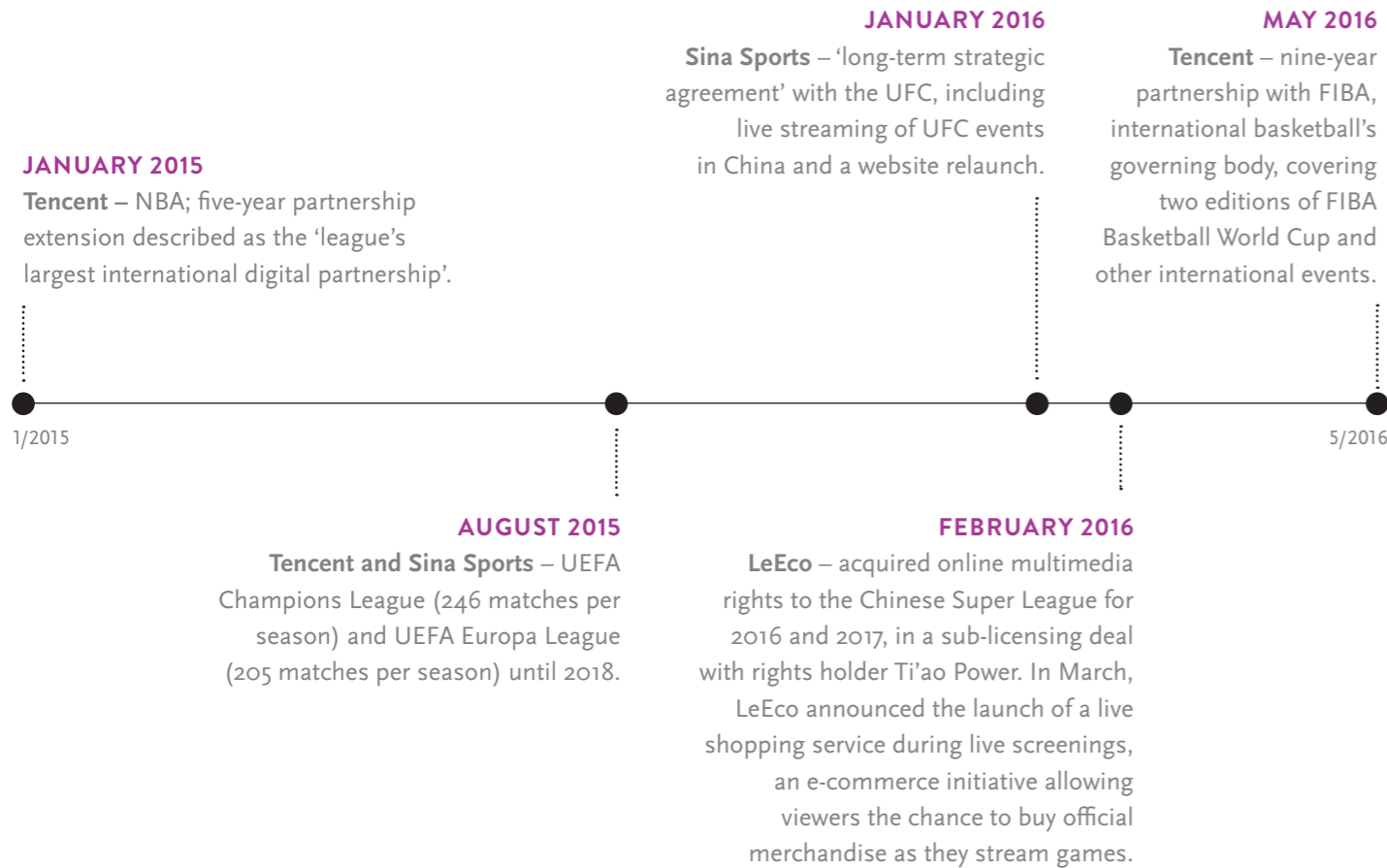


WHAT DEVICES ARE PEOPLE USING TO GET ONLINE SPORTS INFORMATION?



Source: Nielsen China

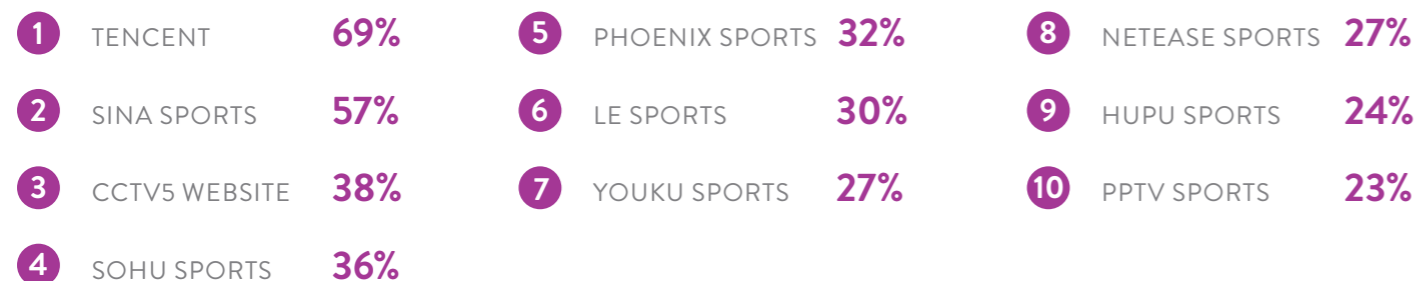
SELECTED SPORTS RIGHTS ACQUISITIONS BY CHINESE MEDIA GROUPS



PLATFORM PREFERENCES

THE CHINESE SPORTS PLATFORMS MOST FREQUENTLY USED TO ACCESS INFORMATION ABOUT SPORT.

WHICH OF THESE PLATFORMS DO YOU FREQUENTLY USE TO FOLLOW SPORTS?



Source: Nielsen China

THREE KEY PLAYERS IN CHINA’S NEW BROADCAST RIGHTS MARKET

China’s new breed of digital broadcasters are now investing heavily in domestic and international sports rights, to drive subscriptions and help showcase their other services. The major players in an increasingly competitive marketplace are developing long-term, mutually beneficial partnerships with teams, leagues and events looking to raise their own profile and attract new viewers and fans in the country.



Charlotte Hornets take on Los Angeles Clippers in a 2015 NBA pre-season game in Shanghai. Tencent is the league’s Chinese digital partner.

TENCENT

A nine-year partnership with FIBA, world basketball’s governing body, in May 2016 followed a five-year tie-up with the NBA which includes live streaming and related programming across Tencent’s suite of apps and websites. Tencent shares rights to UEFA Champions League games in China with Sina Sports, while it also has a major content-sharing agreement with ESPN.

SINA SPORTS

As well as an agreement with UEFA, Sina is in the first year of a multi-year partnership with Manchester United – a tie-up which revolves around the distribution of the club’s MUTV channel. In January 2016, the digital sports media platform signed a long-term strategic agreement with the UFC.

LEECO

Formerly Letv, the online media company has secured an enviable portfolio of broadcast rights to international events including agreements with Wimbledon, Tour de France, the US Golf Association, the International Equestrian Federation, the Football Association and, through a sub-licensing deal with Super Sports, the Premier League.

BUILDING THE MARKET

The development of China's professional football system – and its increasing influence over world football – is being driven by government strategies and investment plans, for both football specifically and the wider sports industry. Chinese companies and wealthy individuals are encouraged to invest heavily in events, teams, facilities, agencies and sponsorships, inside and outside the country.

STRATEGIC GOALS

In October 2014, China's government, through the General Administration of Sport in China, outlined its plan to build a CNY5 trillion (US\$813 billion) sports industry by 2025, a strategy which involves everything from promoting fitness, to encouraging foreign investment in sport by opening up previously complicated administrative approval processes. It is against this backdrop that a multitude of Chinese companies, including headliners such as Wanda Group, Alibaba Group and property giant Kaisa Group, which has created a multi-billion dollar fund designed to assist with the construction of new sports facilities in the country have invested.

Football is now part of the schools system in China, with major clubs and their owners investing heavily in developing grassroots initiatives and facilities – Guangzhou Evergrande, one of China's most established professional outfits (its outlay on international transfers was twice that of any other club in the Chinese Super League in 2015, according to FIFA TMS), has partnered with Real Madrid to develop a 50-pitch training academy.

In April 2016, the Chinese Football Association unveiled its own plan for the country to become a 'world football superpower' by 2050, with the aim of building participation levels and rapidly increasing the number of training centres and pitches across China – specifically one football pitch for every 10,000 people by 2030. At a professional level, performance targets have been set for the men's and women's national teams.

CHINA AIMS TO
CREATE A
\$813
BILLION SPORTS
INDUSTRY BY 2025.



CHINA WANTS ONE
FOOTBALL PITCH
FOR EVERY
10,000
PEOPLE BY 2030.

3

CHINA'S FOOTBALL MARKET

**THE CHINESE SUPER LEAGUE IS GROWING IN PROMINENCE
AND SPARKING INTERNATIONAL INTEREST, INDICATIVE
OF CHINA'S WIDER FOCUS ON FOOTBALL DEVELOPMENT.**

An all-action Chinese Super League encounter between Hebei CFRC and Guangzhou R&F in March 2016.

CHINESE SUPER LEAGUE – WHO OWNS WHAT?

The property sector is particularly well represented amongst the 16 owners of clubs competing in this season's Chinese Super League. The investors have seen the potential in clubs of terms of acting as catalysts for wider development of cities and areas surrounding stadiums (the model of building multi-purpose new stadiums, surrounded by retail, leisure and residential developments is well-established across Europe – AS Roma's new stadium project is a prime example).



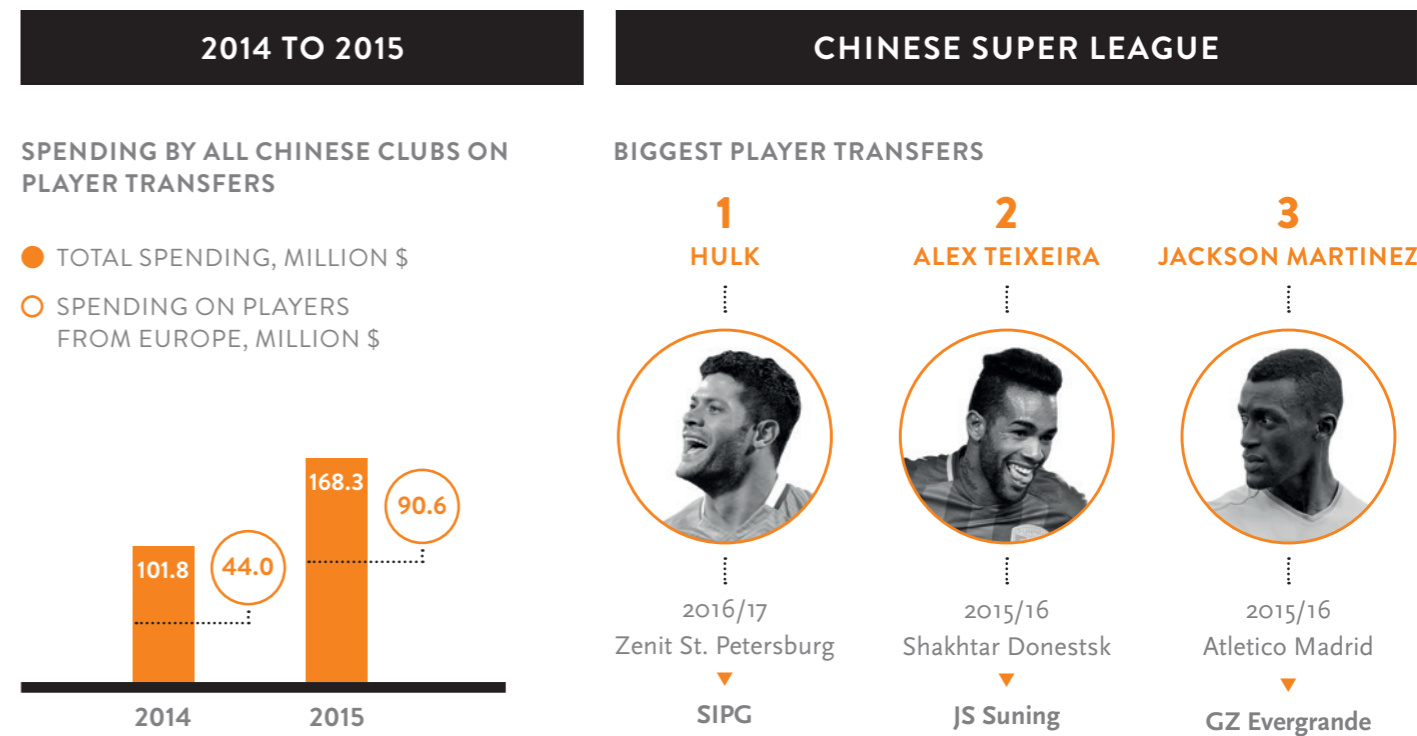
- A BEIJING GUOAN**
CITC Group
(state investment company)
- B CHANGCHUN YATAI**
Jilin Yatai Group
(real estate, coal mining, securities)
- C CHONGQING LIFAN**
Lifan Group
(motorcycles, cars, spare parts)
- D GUANGZHOU EVERGRANDE TAobao**
Evergrande Real Estate Group (60%);
Alibaba (40%)
- E GUANGZHOU R&F**
Guangzhou R&F (property developers)
- F HANGZHOU GREENTOWN**
Greentown China Holdings Limited
(real estate)
- G HEBEI CFFC**
China Fortune Land Development
- H HENAN JIANYE**
Jianye Residential Group (real estate)
- I JIANGSU SUNING**
Suning Appliance Group
(retailers, online retail)
- J LIAONING WHOWIN**
Liaoning Sport Technology College/
Huludao Hongyun
- K SHANDONG LUNENG TAISHAN**
Luneng Group
(electric energy provider)
- L SHANGHAI GREENLAND SHENHUA**
Greenland Group (developer)
- M SHANGHAI SIPG**
Shanghai International Port Group
(port operator)
- N SHIJIAZHUANG EVER BRIGHT**
Hebei Ever Bright Real Estate
Development Co.
- O TIANJIN TEDA**
Tianjin TEDA Group
(state-owned enterprise)
- P YANBIAN FUNDE**
Yanbian Sports Bureau/Funder
Holdings Group (insurance)

Source: Nielsen Sports market intelligence

BIGGEST TRANSFER FEES PAID BY CHINESE SUPER LEAGUE CLUBS

The spending by Chinese clubs on international players over the past three years has been eye-catching, with the influx of foreign talent helping to drive global awareness of the Chinese Super League and make it more attractive to international broadcasters – this season, for the first time, Sky Sports has committed to live broadcasts of CSL matches, with evening games airing in a lunchtime slot on weekends in the UK.

According to FIFA's Transfer Matching System, spending by Chinese clubs on international transfers rose by 60.5% year on year between 2014 and 2015. CSL clubs made headlines again during the 2016 transfer window, with Brazilian Hulk's move from Russian club Zenit St. Petersburg to Shanghai SIPG for a fee reported to be \$61 million breaking the country's transfer record – \$51 million, paid by Juangsu Suning for Shakhtar Donetsk player Alex Teixeira a year earlier. CSL clubs have shown their ability to not only spend heavily on transfer fees but also a willingness to pay players substantial salaries which has only served to increase the chances of top talent moving to China.



Source: FIFA TMS

Source: Nielsen Sports market intelligence

EUROPEAN CLUBS OPERATING IN CHINA

Through a combination of digital tools (both the utilisation of social media platforms and Chinese-language websites), pre-season tours and the development of local training camps and grassroots projects, the major European football clubs have over the last decade built strategies to increase fan acquisition and retention in China. While the major European leagues in which they play have developed broadcast strategies to ensure greater coverage of games in the country – Serie A was the first European league to be broadcast in China in the late 1980s, a legacy of which is continuing high levels of support for major Italian clubs like AC Milan and Internazionale – Europe’s major clubs have also begun working with local media partners to distribute club content or channels. Tie-ups with local corporate partners in China have not only unlocked new revenue streams but opened up new local market engagement opportunities.

CASE STUDY

BLAZING A TRAIL: THE NBA IN CHINA

The National Basketball Association has led the way in terms of international sports leagues operating in China. In 2008, the NBA announced the formation of NBA China, a new entity to conduct all of the league’s business in Greater China with five strategic partners: Disney/ ESPN, Bank of China Group Investment, Legend Holdings, China Merchant Group, and Li Ka Shing Foundation. At the time, then-NBA Commissioner David Stern said: “The opportunity for basketball and the NBA in China is simply extraordinary.” He added: “The expertise, resources and shared vision of these immensely successful companies will help us to achieve the potential we see in the region. The strategic investment from these companies will allow us to continue working with the General Administration of Sports and the Chinese Basketball Association to grow our sport and emphasize, in both rural and urban Chinese communities, its contributions to fitness, healthy lifestyle and an appreciation of teamwork.”

Today, the NBA is the most popular sports league in China with more than 110 million followers on social media.

More than 760 million fans watched the NBA in China during the 2015–16 season. Media partners, including a partnership of 30 years with CCTV provide fans with unprecedented access to NBA games and content. Tencent, the league’s largest international partner streams 600 live games and content to hundreds of millions users on Tencent platforms each year.

As well as regular promotional visits by league stars such as LeBron James and Stephen Curry, the league has made China the centre of its annual pre-season Global Games series. October’s games in Shanghai and Beijing, involving the New Orleans Pelicans and Houston Rockets, marked the tenth edition of the NBA Global Games in China. The festivities around the NBA Global Games China 2016 included the fifth NBA Fan Appreciation Day, plus NBA Cares and Jr. NBA community events. These double up as activation opportunities for league partners, while the NBA Global Games China series is presented this year by Master Kong; the NBA Fan Appreciation Day presenting sponsor is Dongfeng Nissan.

A PERSPECTIVE ON CHINA AND FOOTBALL

INTERVIEW ▶ SIMON CHADWICK, Professor of Sports Enterprise, University of Salford, Manchester

What’s your assessment of China’s growing influence in football?

SIMON CHADWICK ▶ The club purchases, the acquisition of agencies, the sponsorship deals, the inward investment may seem to be football-focused, but ultimately it’s all about building an industrial sector over the next ten years. Fundamentally, that’s what this is about. What the government is doing is to use football to drive China towards that vision. Within that, there is a particular view that if China can bid for the right to host the FIFA World Cup and then ideally win the World Cup then that will be a key part of this move towards creating this domestic sports economy.

They are trying to build a sustainable and sizeable industrial sector – just as they’ve done in computing, with microchips and tablets, and just as they have in smartphones. We see it in scientific research, in space travel and even with military. It serves a number of purposes, notably economic and industrial strength, but essentially this is around creating sports entities that will generate income for China, create jobs, create export earnings and then beyond that maybe there will be an element of soft power and of spreading Chinese socio-cultural influence around the world.

How have European clubs’ strategies for growth in China developed?

CHADWICK ▶ I think European football clubs have learnt about China, they’ve looked at the likes of the NBA and learnt that you need to be more actively engaged in the country, even with things like being available for autographs. There’s a greater appreciation beyond that for grassroots football projects, investment into community development. There is more sophistication there than 10 or 11 years ago. The way in which, for example, Bayern Munich and FC Barcelona use social media in China is significant and I think Manchester City understand and get much more what they need to do to be successful in China. Short-term, almost unilateral, approaches to football there are likely to be largely unsuccessful. Clubs that are going to succeed are those that engage in deeply-rooted, mutually beneficial relationships where there is

reciprocation – they trust you, you trust them – and both sides of the relationship win.

Are there opportunities for strategic tie-ups between Chinese and European clubs?

CHADWICK ▶ There will always be an element of competitiveness in business, but there is a collaborative model of business too, and the world is full of collaborative business opportunities. Perhaps this will force European football clubs to think more carefully about their business models, their way of doing business, their way of conducting business and the way they formulate a strategy – especially in relation to China.

Chinese football at the moment is engaged in competence acquisition. The Chinese are going through a period where they are acquiring competence. They are acquiring knowledge of how to run a football club, they’re acquiring FIFA sponsorship so they can understand better how the global governing body runs, they’re hiring players in order to up-skill their domestic labour force, and if clubs were to think about it in those terms, it presents a commercial opportunity if they’re involved in this process of competence acquisition. They just need to start thinking more laterally and creatively about the type of relationships they could have, and about how this impacts upon their strategies.

How far away are we from seeing Chinese clubs think more globally?

CHADWICK ▶ It was extremely unhelpful that Guangzhou Evergrande got knocked out of the Asian Champions League this season. Had they won, I think we were on the cusp of something quite significant happening: a Chinese football club being very prominent in several international markets and gaining the potential to expand their business there.

Given the pace of what’s happening at the moment, given the exposure that many of us now have to Chinese football, familiarity will build. That process of brand familiarity and the building of some kind of affiliation with a brand then leads on to loyalty. I think that will develop more and more within the next five years. ◀

4

CHINA'S INTERNATIONAL INVESTMENT

CHINA IS INCREASINGLY LOOKING AT GLOBAL SPORT AS A TOOL TO RAISE PROFILE, DEMONSTRATE SOFT POWER AND ENHANCE TOURISM AND BUSINESS LINKS.

中国元素，能给国际米兰带来

Suning and the Chinese market bring to Inter M



Zhang Jindong, chairman of the Suning Holdings Group, announces Suning's acquisition of Inter Milan in June 2016.

GLOBAL INVESTMENT

Investment from Chinese companies and individuals in sport outside China, through acquisitions in teams, agencies, events and sponsorship, is increasing, with activity in football, as the leading global sport, leading the way. The country's influence on the international sporting stage is growing.

ACQUISITIONS AND SPONSORSHIP

After hosting the 2008 summer Olympic Games, widely considered a breakthrough moment in how the world views China, Beijing stands poised to become the first city to host summer and winter Games in 2022.

Other major events are now firmly established on the world sport calendar, with the country and some of its many international cities waking up to the global profile sport can provide – and rights holders equally keen to establish themselves in a major new market: Formula One has raced in Shanghai since 2004; Qingdao, a Beijing 2008 venue, has positioned itself as one of the world's leading destinations for professional sailing; Nanjing, meanwhile, staged the 2014 Youth Olympic Games to much acclaim and will be one of eight Chinese host cities for the 2019 FIBA Basketball World Cup.

Aside from the full or part acquisition of football teams across Europe, Chinese companies are increasingly looking at football as a sponsorship platform – either at a global level, such as Wanda Group's sponsorship of FIFA or smartphone manufacturer Huawei's portfolio of sponsorship deals with football clubs, or as a regional club or event sponsor.



8 CHINESE CITIES WILL HOST THE 2019 BASKETBALL WORLD CUP

CHINESE CLUB OWNERSHIP

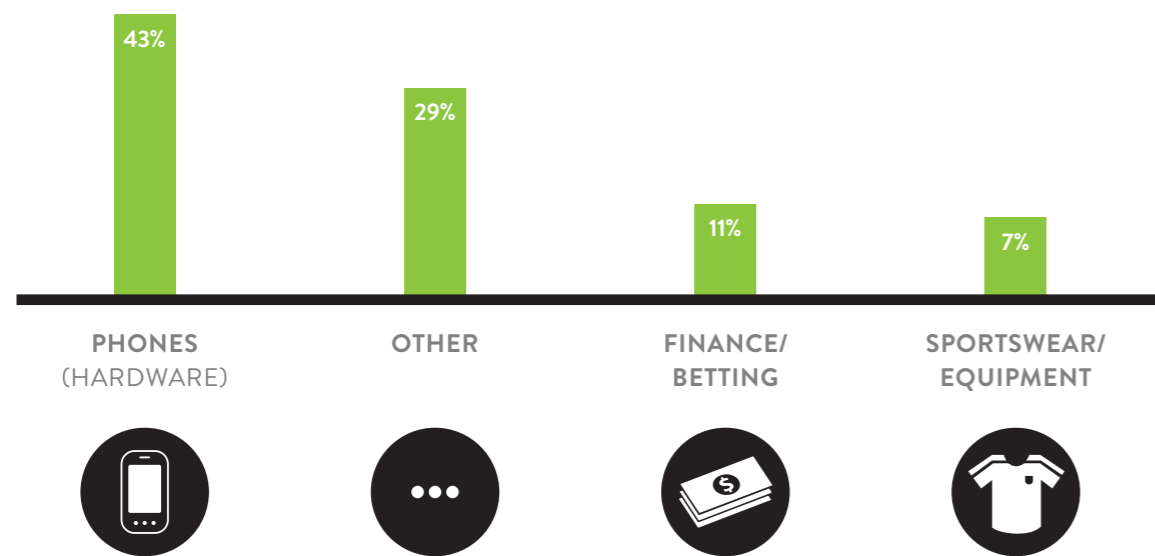
The past two years has seen a flurry of major investments by Chinese firms and individuals in European football clubs. Storied names such as AC Milan and Internazionale are now under Chinese control, while stakes in other major teams, notably Atlético Madrid and Manchester City, have been acquired by Chinese investors. Clubs at the top-level in England, France, Italy and Spain are now under Chinese control – Germany’s regulations on club ownership have so far prevented any Chinese investment in Bundesliga teams. The map shows a selection of major investments from China across Europe over the past two years.

CHINESE BRANDS AS SPONSORS

Although each investment differs from the others, depending on the company, individuals or club involved, the Chinese government’s football strategy appears to have been a catalyst. More investments are likely. Although European clubs received over \$35 million annually from Chinese sponsors during the 2015/16 season – the largest spend by a single brand coming from smartphone manufacturer Huawei across a number of clubs – many Chinese companies and investors appear to have prioritised ownership of the assets themselves rather than aligning with a club through sponsorship.



CHINESE SPONSORSHIP OF EUROPEAN FOOTBALL (BY SECTOR)



Source: Sponsorglobe by Nielsen Sports (deals active in 2015/16 only)



Source: Nielsen Sports market intelligence

AGENTS OF CHANGE

While investments clubs and players tend to generate the most headlines, China is also establishing a growing influence on global football through the acquisition of several major football agencies.

In February 2015, **Dalian Wanda Group** announced its acquisition of **Infront Sports & Media** for \$1.2 billion. Infront has a foothold in many of the world's major sports, not least football where it counts a variety of clubs and federations as clients. Dalian Wanda Group has established itself as a key player in global sport in recent times, with the acquisition of the World Triathlon Corporation adding to its acquisition of Infront, investment in Atlético Madrid and several projects aimed at developing football within China.

Just over a year later, in May 2016, another major sports rights agency received significant investment from China. **MP & Silva**, specialists in sports media rights sales, announced the creation of a 'strategic partnership' with Chinese financial services company **Everbright** and internet entertainment company **Baofeng**, through an investment from Shanghai Jin Xin. Baofeng and Everbright now own 65% of MP & Silva.

That investment came just five months after **Gestifute**, the Portuguese football agency founded by renowned player agency Jorge Mendes, launched a 'strategic partnership' with **Foyo Culture and Entertainment Co.**, a subsidiary of Chinese investment group **Fosun International**. The company, perhaps best known for representing Cristiano Ronaldo, aims to become a force in the transfer of players to and from China. In July, Fosun followed up its Gestifute investment by acquiring English second-tier club Wolverhampton Wanderers.

ABOUT NIELSEN

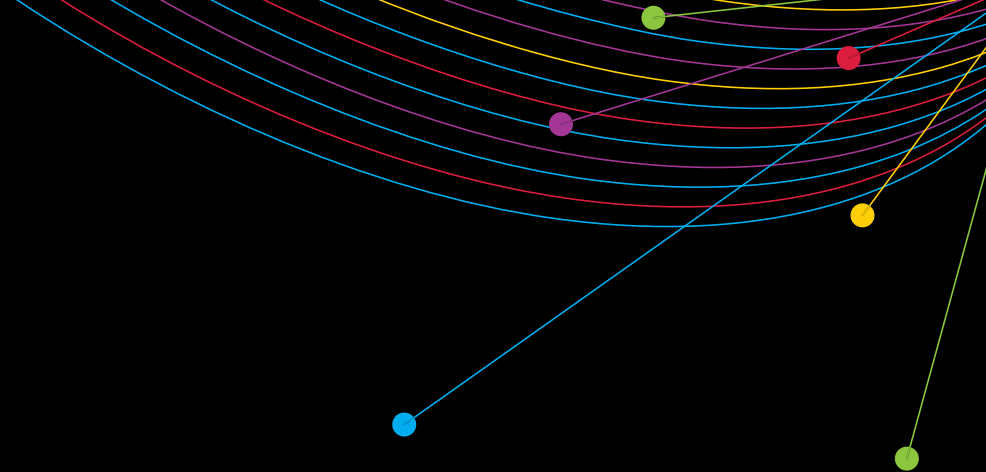
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