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Sports Business in India: Development of sports as business in country and its ecosystem

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Abstract: The sports industry is one of the fastest growing industries in the world. Sport now is not only a game but it has been a billion dollars activity. Sports market revenue in the year 2015 was \$145.34 billion USD worldwide and it has been increasing every year. In terms of employment and revenue also sports is regarded as one of the largest industry globally. Similarly in India, it is growing sector with the introduction of many leagues such as in cricket, football, kabaddi, hockey, badminton, etc. The sports business in India is valued at Rs. 2400 crore. With this leagues getting success in India they also help in bringing or increasing Foreign Direct Investment in India. All these sports events attract corporate sponsors. Many multinational companies like Coca-Cola, Adidas, etc. sponsor Indian players. For example Sachin Tendulkar has been the face of Adidas India for last 15 years. After London Olympics success of Indian athletes, there has been increase in fan followings of Indian athletes that leads to increase in sponsorships and investment on Indian athletes. This paper discusses the effects of the sports leagues on Indian economy, especially how the country benefits from the foreign direct investment.

Keywords: *sports business, employment and revenue, sponsorship.*

Introduction

Globally sport industry is around USD600 billion, India is yet to recognize sport as sector. Sport sector has very big impact in terms of revenue, increased employment, national pride and its positive contribution to GDP. Sport sector consist of many other segments such as sport goods, sports apparel, sports tourism, sports sponsorship industry, amateur and professional sports, sports marketing firms, etc. India's draft national sports development bill, 2013 recognizes 66 kinds of sports. Due to Lack of sporting culture in country lead to less participation in sport sector. However international sporting leagues like NFL, NBA, EPL, etc shows that investment in such leagues has high potential of returns. Building sport culture in the country has significant impact on economy and contributes 1-5% in nations GDP. India has very high scope to do well in sporting industry because of the large population and majority of population that is 50% of it is

below 25 years of age. India does not perform well even in Olympics, building for those sports that have medal potential. Government is working for overall development of sports in India, in terms of cutting down the import duties, adequate policy support, building infrastructure, etc to allow business of sports in India to grow beyond leagues. In India there is huge potential for development in sports and in business of sports. Viewership of sporting events is steadily increasing and so is the awareness on fitness is increasing. This is good sign for industry, as this would motivate the culture and lifestyle of sports in the country. There is need to promote sport culture in country and this would lead to adaption of lifestyle for investing in sports and even playing various sports. India is hosting sporting events to create awareness about sports and about their socio-economic impacts. Introduction of sporting leagues which started with IPL (Indian Premier League) in 2008, which made sports more commercial. Success of IPL also encouraged other sporting leagues of football, kabaddi, etc. with collaborating with private organizations. Country is also hosting of global sporting events such as Commonwealth Games in 2010, Cricket World Cup in 2011, World Chess Championship and Formula 1 Grand Prix in 2011. There is no study done in India to assess the economic effect of sports in country but study done by Sport England in 2013 shows the significant contribution of sports in country's economy. According to that survey sporting events contributed to 1.9% of country's GDP and 2.3% of all the jobs in the country. So there is potential in sport to bring economical change in the country.

Current scenario

India is a country where all other sports are not given more importance and mainly focused on cricket. It is a country with highest number of youth population and so very capable in sports, but most of them don't get resources to prove their capability. The success of any sports is depended on many factors like management, planning and execution and implementations. Funding is also major problem in India as people invest lots of money in cricket rather than any other sports. Enterprising, marketing branding etc is needed of other sports so that they get sponsorships and interest of public.

Even though India is a cricketing nation, IPL which started in 2008 faced many criticism and challenges in the beginning; over time it was able to create fans from the nation and even worldwide. The Indian sporting thanks IPL for being successful examples for others to learn from. Several other sports such as Kabaddi and Football have become more main stream after introduction of their leagues. If we look at total media spending, sport accounted 10.4% of total media spending in 2015, which rose to 12.3% in previous year. ISL which had 10 sponsors in 2014 had 18 in 2015, which contributed 100crore towards sponsorships. So basically India now is not only cricketing nation but other sports are also getting popular and people are getting involved and enjoying it. Also some extra entertainment factors are thrown into to make it more interesting and people also uses it as family outing. More iconic players are involved in all sports which attracts the mass

and younger generation into it and channels are getting more viewership by broadcasting this matches

In India there was introduction of cricketing league in 2008 as India Premier which attracted big investors like Reliance, Sun TV, Pepsi, etc. this kind of investment in sport industry will bring change in Indian sporting industry. With success of IPL many other sporting leagues started India and also managed to get success. There are currently four major leagues in India which are Indian Premier League (Cricket) started in 2008, Hockey India League (Hockey) started in 2013, Indian Super League (Football) started in 2013 and Pro Kabaddi League (Kabaddi) started in 2014. Success of such leagues in India is depended on certain factors such as involvement of top domestic as well as international players, effective marketing strategy which includes celebrities as brand ambassadors or owner, proper government framework is required for easy flow of such leagues, proper infrastructure is required such as stadium infrastructure, an effective strategy to attract fan base and most importantly performance of players in leagues and in national teams. This will attract people to such leagues and maximum number of viewership and gate revenue will be generated.

Sports ecosystem

In the last ten years, India had 9 different sporting leagues. Leagues clubs franchises are decided through a tender and the party that quotes the maximum amount is given the responsibility of that particular city. The costliest franchise during the 2008 was Mukesh Ambani owned Mumbai Indians with a huge amount of 712 crores INR million before Sahara Pariwar's Subatra Roy spent a whopping 2354 crores INR for the Pune franchise in 2010. Barcelona's Lionel Messi is earning 2.5 Crores INR (313,000 Euros) per week whereas, Chennai super kings MS Dhoni earns 3crore during the 7week long IPL. In ISL the highest earning player is Italy's Del Piero, who earns 1.5 crores INR per week when he plays for Delhi Dynamos.

Main sources of revenue for sporting leagues are franchises consideration, sponsorship rights and media rights. Media rights mainly consist of broadcasting rights, theatrical rights, internet rights and marketing support. Sponsorship mainly includes title sponsorship, ground sponsorships and drinking or refreshment sponsorship. Franchise mainly includes share of gate revenue, franchisees fees and share of local revenue.

One of the major sources of revenue in sports leagues is through the broadcast of television commercial. For IPL biggest source of revenue is media right, with 9 year long broadcasting deal for INR 8200 crore. During then IPL, the broadcaster earns 5-10 lakhs INR per 10 seconds followed by 4-5 lakhs INR for ISL for the same time period, Pro Kabaddi earns its broadcasters 70,000 – 1 lakh INR per 10seconds and with IHL which earns the broadcasters 65,000-70,000 INR.

Sponsorship

With new sports league attracting marketers and broadcasters, it has also attracted companies investing in them seeing significant surge in investments. Sport sponsorship in

India grew by 12.5% in 2015. The success of leagues, fan engagement and how brands can maximize their value from association from sports, cricket continues to be the biggest player in sponsorships also but other sporting leagues are also emerging in this market. The sport sponsorship amount is 10.4% of the total Indian advertisement expense in 2015. With new emerging talents, better coaching and famous international players these leagues are now in the heightened attention from broadcasters. Sponsorship divided in 5 major parts that are ground sponsorship, team sponsorship, franchise, endorsement and on air franchise. Growth in sponsorships from 2014 to 2015 in those components were accordingly-

- Ground sponsorship grew from Rs794.8 crore to Rs1030.5 crore that is 30% growth in 1 year.
- Team sponsorship grew from Rs493.6 crore to Rs.558.2 crore
- Franchise grew from Rs482.3 crore to Rs490.3 crore
- Endorsement grew from Rs327.8 crore to Rs416.4 crore
- On air grew from Rs2518 crore to Rs2690 crore
- On ground sponsorship was up by 300% in kabbadi (KPL) and 92% in football (ISL).

Most important and financially big sponsorship always remains of broadcasting these leagues. PKL season 3 recorded its opening week viewership 36% higher than the week one viewership of previous season. IPL pulled in approximately Rs.800 crore from Sony pictures network India. ISL got Rs.100 crore from star sports channel and PKL managed to pull Rs.45 crore from star sports.

Issues and recommendations

Major issue in India for underperformance in sports is due to lack of sports culture in India. Need to start campaigns all over the nation with uniform sports policy. There is lack of sport governance due to which there is lack of transparency and there is no strict implementation of policies and due to which work and development in sport industry is slower down. Due to this slow development in the sport industry in India there is limited commercial focus on this industry. There are limited funding avenues and limited commercial focus of governing bodies on sport. Other major issue is improper sports infrastructure in India. There are various games hosted in India but still there is lack of proper infrastructure. A proper planning is required in development of infrastructure for hosting such games. Other way of development of sport infrastructure in country is by attracting corporate bodies to invest in sports infrastructure development, there is very limited corporate investment in sports infrastructure development. Corporate sectors needs to be aware about various examples and make them understand success and profit in investing in sports infrastructure. Due to improper planning and distribution of sporting equipments, there is no unified representation for the sports equipment industry. Reducing import duties on some sporting equipment can also help equipments to reach to customers.

Talent scouting and training of player and trainers are needed for improvement in performance in sports. India is capable to develop in different sports, due its high population and different culture .But there is lack of professional coaches and technical knowledge on sports. Solution for that is collaborating with NSF (National Sports Federation) and training coaches and giving them technical know-how of the sport. Even there is inadequate support to private academies or formal sport persons to launch their own private sport coaching in the country. Other then cricket there is no proper performance incentives or income of the sport persons and limited career options within sports. Collaboration of NSF, sport consulting firms and franchises to plan proper incentives and even post retirement policy.

Conclusion

Major problem faced by Indian sports industry is lack of sports culture in India. To increase that culture in country mainly two things are required that are interest from spectators and effective support from system. Encouraging sports and making sports more popular will lead to development of sports for nations pride and development of economy generated from sports. Support from governing bodies and private bodies for brand building, development of sport coaching, development of sporting infrastructure, implementation of supportive governing policies, availability of sporting equipments, proper support and promotion by media and by celebrities and imparting knowledge and importance of sports as health and fitness.

India has now grown to multi sports country from single sports country in few years by new initiatives of sporting leagues of Cricket, Kabbadi, Football, Hockey, etc. The sporting industry of India has grown mainly because of such leagues has grown from Rs. 43.7 billion in 2013 to Rs.48 billion in 2015, and it can grow even better with proper planning and support. Sport in India has huge potential to grow as sports and even in terms of economy. This industry is also regarded as largest industry worldwide in terms of generating employment and revenue. It provides employment to more than 500,000 people.

All in all, the sports sector in India has tremendous potential for growth in business and economy, in the fields like sponsorships, management, marketing, tourism, etc. and India recently is utilizing this opportunity and scoring in this field, and can even do better.

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