THE BUSINESS OF SPORTS AND THE MANUFACTURING OF GLOBAL SOCIAL INEQUALITY[1]

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Abstract

Modern sport has been epitomised as the most successful export of Western civilisation, being of even wider appeal than democracy, egalitarianism and capitalism. While for some factions within the world's societies, the meanings of representative political participation, equal employment opportunities, and even basic human rights are often the subject of heated debate, there seems to be almost unanimous consent to the beauty of sporting victory, the value of a gold medal, or the fascination of a new record. However, the celebration of sport as universal cultural property disguises the political economy of sport in contemporary society and the more down-to-earth corporate interests behind the spread of Western sport. First of all, both the wealth of nations and their inhabitants have great impact upon the diversity of sport opportunities, the quality of sport facilities and the issue of access rights. This is the case because a viable sport infrastructure requires a stable allocation of resources, either by public or by private bodies, and the arrangement of these players ultimately decides whether sport is rather regarded as public policy or private business. Even though mass sport politics and the sport industry are distinctive fields, they are actually mutually dependent and linked to each other by various channels, most noteworthy sport governing bodies and the media. Hence the development of sport into a key market for global capital accumulation, which started in line with the rise of the current neo-liberal paradigm in the early 1980s, left its marks on the non-profit sector of amateur sport. Dealing with the numerous social, political, and economic relationships and processes – including centres and peripheries, global labour migration, multinational corporations and transnational media industries, regionalism and nationalism, commercialism and consumerism – case studies from the field of large-scale sport events and football, the flagship of global sports, illuminate the interconnectedness between sport and the agents, structures, and processes of global capitalism.

Introducing the "Sport Industrial Complex"

Meeting in Paris at its twentieth session in 1978, the General Conference of the United Nations Educational, Scientific and Cultural Organization (UNESCO) adopted the International Charter of Physical Education and Sport. Within the preamble, member countries of the UNESCO demanded the guarantee of free access to sport for all human beings, since the unconstrained development of physical power and abilities is not only a cornerstone of the "effective exercise of human rights" but also a significant "contribution to the inculcation of fundamental human values". In a similar fashion, The European Sports Charter (adopted in 1992) applauded the role sport is playing by "reinforcing the bonds between peoples" and the "contributions which sport can make to personal and social development". While there is no reason to take issues with the positive functions sport generally may have both for the individual and communities, a closer look at the development of sport in developed and developing countries clearly indicates that the social benefits of sport depend on national wealth and corresponding political action. In this respect I argue that governments as well as non-governmental stakeholders in the administration of sport have largely failed at safeguarding sport against alternative interests, most notably those of an economic kind. Sport has been associated with business for a long time, yet the straightforward equation of sport with profit-making and commercialisation is a rather recent phenomenon. Particularly in the case of professional team sports, public attention circulates between mind-boggling salaries of top players, sponsorship contracts worth many million dollars and billion dollar-sales of media rights. Yet as George Sage (1998: 131) noted, sport must be perceived as a historical formation, and there is nothing universal about today's highly commercialised sport industry. Even though amateur sport and professional sport are distinctive fields of political and economic action, they are in fact mutually interdependent and closely linked to each other through the regulative framework of sport governing bodies, the distribution of financial subsidies and the imaginations generated by advertisers, the media and other key agents of the "image industries".

This paper delineates the development of sport as a business of global scope. I will show the influx of big money into sport and how the triangle of transnational media corporations, international sport organisations and multi-national sport apparel producers have contributed to the formation of the "sport industrial complex"[2]. Just as the military industrial complex in the United States has affected unwarranted influence on national politics, the sport industrial complex exerts major impact upon sport as an important factor in ways of living and lifestyles of people around the globe. These effects are clearly experienced in consumption styles, but they have also left their marks on processes of production, marketing and distribution as well as global governance in sports. It will be argued that globalisation is the key process in which sports have been subjected to the imperatives of the market.

Money in sports

A quick glance at any statistics on the sports market and revenue streams in sports is enough to convince some of the close association of sports with big business. Yet the actual figure of the global market size of sports related goods and services is difficult to assess. According to PriceWaterhouseCoopers' report *Global Entertainment and Media Outlook: 2004-2008*, the global sports market in 2003 achieved sales of USD 75.6 billion. This number roughly corresponds with the gross domestic product of national economies in Chile, Pakistan or the Philippines in the early 2000s. This market value comprises of gate revenues for live sport events, broadcasting rights fees paid by TV stations; merchandising, sponsorship and other packages with rights to sports events or sports programming. However, these sport business activities are just the core of a much larger multi-sector economy encompassing private household consumption, indirect expenses related to sport activities, and public sector finances.

A rather technical definition of the sporting economy comprises any income and expenditure circulating between private households, commercial sport clubs, sport centres and sport organisations, sports good manufacturers and retailers, sports media departments, and other private sector economic activity that either supplies goods and services to the sport sector (such as sport facilities or financial services) or provides households with goods and services that are used in connection with sports activities. The list is only complete if economic activities by non-profit making organisations of the voluntary sector (e.g. amateur sport club activities) and the public sector (included public health programmes and secondary education) are included. According to Sport England (2003:3), the value added to the UK economy by the entire sport related economy was USD 17 billion, or 1.5% of total GDP in 2000. Similarly, the US sporting economy was estimated to amount to more than one percent of the value of all goods and services produced in the USA in 2001 (Schaaf 2004:325). With a total worth of USD 194 billion, the sporting economy exceeded industrial sectors such as chemicals, food or electronics, or national economies in Austria, Norway or Poland.

While figures inevitably differ according to definitions or the availability of data for certain products or regions, it is rather helpful to look at growth rates that reveal the dynamics within the market or its sectors. Quoting once more the PriceWaterhouseCoopers (2004) industry review, compound annual growth rates of more than 6% over the coming five years suggest that the core markets are far from being saturated. Forecasts are of course no more than estimates, relying on a balanced calculation of historical trends and future uncertainties. Yet sector trend analyses have revealed staggering growth rates in most regions and industries during the past decades, clearly underlining the expansionary potential of the sports market. Back in the 1970s, the total sponsorship money in sports amounted to USD 5 million; meanwhile it has skyrocketed to USD 20 billion (Mitra 2003). Broadcasting rights for the 1964 Tokyo Olympics, which were dubbed the Media Olympics due to the first usage of satellite technology for sport broadcasting, generated revenues of USD 1.6 million; the price for the Games registered nearly a thousandfold increase over the following forty years (2004 Olympic Games in Athens: USD 1.5 billion; cf. figure 1). Similarly, the International Football Federation FIFA increasingly generated income from broadcasting revenues and sponsorship. Starting with total annual revenue of USD 6.4 million in 1989 and USD 23 million in 1997, revenue exploded to USD 282 million in 1998. In 2002 FIFA was able to generate the impressive amount of USD 653 million, or USD 1.8 billion for the entire 1999–2002 period. Broadcasting fees also impacted heavily upon the revenue streams of national leagues and international tournaments.

Fig.1: Olympic Marketing Revenue (in USD million)

Source	1993-1996	1997-2000	2001-2004
Broadcast	1,251	1,845	2,230
TOP Programme	279	579	663
Domestic Sponsorship	534	655	796
Ticketing	451	625	411
Licensing	115	66	87
Total	*2,630*	*3,770*	*4,187*

Source: Olympic Matters 2006 Fact File

While the sales of broadcasting rights surpassed traditional main revenue sources such as ticket sales or transfer fees in the 1990s, in recent years merchandising and sponsorship, which include not only naming rights and payments to have a product associated with a player, a team or a league (endorsement deals), but also sponsored events, naming rights for arenas, and signage in arenas, have become major sources of sports related income. Although sales of broadcasting rights are still the most important single revenue source to the IOC, income from The Official Partnership Program (TOP) showed the strongest growth rate of all revenue streams over the past three Olympic cycles (cf. figure 1). Both IOC and FIFA grant their Official Partners global marketing rights, whereas Official Suppliers have marketing rights in the host country of the event only. No doubt, the currently running TOP Programme for the Torino Winter Olympics and the Beijing Summer Olympics will dwarf the USD 663 million of the past period. According to the logic of commodification, sports and sport events, particularly as media content, chiefly fulfil the function of linking consumer product manufacturers with their customers; hence Coca Cola sponsored football tournaments in China as early as in 1982, and its main rival Pepsi Cola followed Philip Morris Tobacco as the main sponsor of China’s professional football league from 1998 to 2003; at the same time

Nike turned out to be paying USD 400 million to the Brazilian national team for a four year period; cell phone companies such as Vodafone or Siemens paid USD 15,7 million and USD 20 million respectively to be uniform sponsor for European top clubs Manchester United and Real Madrid; most Austrian football teams are occasionally renamed according to their current main sponsor company (eg. former Austria Memphis Salzburg became FC Red Bull Salzburg in 2005), the Yokohama Marinos, Arsenal London (from 2006) and Bayer Munich play their home games in the Nissan Stadium, the Emirates Stadium and the Allianz Arena; Japanese corporations (JVC, Canon and Fuji Film) each paid at least USD 30 million to be FIFA's corporate partners with all rights to use the FIFA emblems; Chinese computer manufacturer Levono joined the TOP partnership programme with the IOC for a multi million dollar payment … The list is inexhaustible but clearly indicates that multinational corporations exploit the bourgeoning popularity of sports, sport stars, and mega-sport events as a marketing vehicle.

The alliance of sports and television was of crucial importance for targeting ever larger audiences, and the capability of sport to reach transnational customer markets appealed to these corporations. The strategy was initiated and fuelled by sport apparel producers such as Adidas or Puma, who previously had catered to the needs of a highly specialised product line geared for functionally segmented, small markets. Since then, formerly only in a local context recognisable company names such as German Adidas, American Nike or Japanese Asics turned into globally reknown brands, largely due to the working of advertisement, endorsement contracts and the media. Nowadays the global sporting goods sector is estimated to have an annual retail market possibly of over USD 600 billion, linked to a global network of small and big businesses, focussed primarily on the 16 to 25 age group (Davies 2002). While some foresighted commercial companies had been using the popularity of sport stars for advertising their products already in the 1950s, it was only in the 1970s, at a time when actual mass sport participation gradually increased and casual dress codes gained wide acceptance, that they set out to exploit the true potential of sports marketing. In 1972, Nike paid tennis player Ilie Nastase USD 3,000 to endorse his Cortez shoe; some twenty years later, basketball star Michael "Air" Jordan grossed 20 million dollars a year from endorsement deals with Nike – more than the 300,000 Indonesian workforce of Nike would get for their work (Horne 2006:81). A decade later, shortly after the 2002 FIFA World Cup and David Beckham's move from Manchester United to Real Madrid for a USD 40 million transfer fee, Nike's most severe competitor Adidas was reportedly in negotiations to place a USD 160 million life long endorsement contract with the football player what would have been the biggest endorsement deal of its kind in sport. The current biggest endorsement deal is Tiger Woods' USD 112 million deal with Nike – although that is only for eight years.

Fig.2: Football Players Rich List

	Player	Nationality	Team	Country	Wage/week
1	David Beckham	Eng	Manchester United	England	353,000
2	Zinedine Zidane	Fra	Real Madrid	Spain	329,000
3	Ronaldo	Bra	Real Madrid	Spain	274,000
4	Rio Ferdinand	Eng	Manchester United	England	225,000
5	Alessandro Del Piero	Ita	Juventus	Italy	224,000
6	Hidetoshi Nakata	Jap	Parma	Italy	219,000
7	Raul	Spa	Real Madrid	Spain	219,000
8	Christian Vieri	Ita	Inter Milan	Italy	216,000
9	Michael Owen	Eng	Liverpool	England	209,000
10	Roy Keane	Ire	Manchester United	England	204,000
11	Luis Figo	Por	Real Madrid	Spain	202,000
12	Gabriel Batistuta	Arg	Inter Milan	Italy	202,000
13	Sol Campbell	Eng	Arsenal	England	191,000
14	Oliver Kahn	Ger	Bayern Munchen	Germany	180,000
15	Alvaro Recoba	Uru	Inter Milan	Italy	179,000
16	Francesco Totti	Ita	AS Roma	Italy	172,000
17	Rivaldo	Bra	AC Milan	Italy	169,000
18	Thierry Henry	Fra	Arsenal	England	146,000
19	Fabio Cannavaro	Ita	Inter Milan	Italy	143,000
20	Paolo Maldini	Ita	AC Milan	Italy	141,000

This list was put together by France Football magazine in May 2003 to show the biggest earners in football.
Source: http://www.footballtransfers.net/contracts/top20wages2003.html

Both the talent and the popularity are of great value to the sport clubs contracting the professional players who are their main asset for sporting success as well as economic profit. The demand for talent, the deregulation of employment rules and the loosening of salary caps set into motion a mounting wage spiral. In the later half of the 1990s, wage expenses of Premier League football clubs increased by an annual rate of 20%. In 2003, more than ten football players in Europe were paid more than USD ten million a year from their employees (cf. figure 2). In the United States, upward pressure on wages began in the 1970s. At the beginning of this decade, professional basketball players received an average salary of USD 20,000. Until 2001, average salaries had increased by 16,205 percent to USD 3.2 million, more than 31 times the rate of inflation. In American football, average salaries rose from USD 47,500 in 1976 to USD 1.1 million, and in major league baseball athletes' earning grew from USD 76,000 (1977) to USD 2.1 million (Seattle Post Intelligence 2002). In order to cope with the wage burden, clubs and their owner companies are on the constant outlook for new revenue streams, markets, customers, and partnerships.

The attraction of the East Asian market has drawn the attention of Europe's big football clubs. They regularly go on promotional tours through the region in which they run special merchandising shops and television programs. Real Madrid shirt sales in Japan alone were reported to have covered about 25% of Beckham's transfer fee after his move to the Spanish club and the following promotional tour. Generating systematic income from buying East Asian players to raise new opportunities for club merchandise sales, television deals and sponsorships is nowadays a widespread business plan in European football. Since satellite TV has turned European football into Asia's sport of choice, club managers count on the growing interest in their club once Asian players have contracted. Feyernoord Rotterdam acquired sponsorship from Japan's leading mobile telecommunication company NTT DoCoMo, while Racing Genk was supported by the Japanese industrial equipment manufacturer Nitto. Broadcasters successfully enlarged their subscriber base in line with the global movement of local star players, while the inflated audiences increased the marketing value of the team. The combined interest in clubs with players from East Asia and those with global marketing potential also enabled UEFA to treble its revenues from Champion's League TV revenues in the past few years.

The state and its local representatives are part of the new political economy of sport in as far as they are increasingly forced into underwriting the private risks by investing public funds into sports. Thirty years ago hardly anybody would have considered the flagship events of global sports, the Olympic Summer Games and the FIFA World Cup, as business. The Montreal Olympics of 1976, which were largely financed with public funds, ended in a fiasco for the host city. Yet after the 1984 Los Angeles Games showed for the first time that such mega-events could produce an economic surplus, sporting mega-events acquired central status for city and national government development agendas (Andranovich, Burbank and Heying 2001:124). Since then, public investments into sport facilities and sport events have captured a leading position in the consumption-based economic development politics of many late capitalist societies (Baade 1996; Schimmel 2001).

Studies on the political economy of sport in Japan (Manzenreiter and Horne 2005) and the 2002 Football World Cup (Horne and Manzenreiter 2004) have shown that the prospects of economic growth fuelled by hosting large-scale sport events, the subsequent increase of tourism and the anticipated improved image of the region prompted many municipalities to invest into new sport facilities and sport teams. Prior to the World Cup finals, the Institute of Social Engineering and Dentsu Institute of Human Studies, the research unit of the advertising agency that did so much to promote world sport, forecasted an impact of up to JPY 3.6 trillion on the Japanese economy. While the 2002 FIFA World Cup were reported to have generated a surplus of some billion Yen, the account of the Japanese Organising Committee ignored the USD 4.6 billion investment the state had spent on ten state-of-the-art stadiums, as well as other infrastructure investments of the past six years, amounting to more than JPY 1 trillion, and the huge costs of maintaining the prestigious yet mainly useless "white elephants" with capacities exceeding average J-League spectator demand by more than 100 per cent. At the time when the books were closed, no one seemed to remember the over-optimistic projections. Virtually all other case studies of the economic impact of either sport facilities or sport events indicate that they are not the growth engines they purport to be (Szymanski 2002).

Consequences of Big Sport

Business interests and corporate involvement in sports have spurred concentration processes that transcend national borders. The concentration of control, ownership and revenue streams exert negative impacts on the world of sports. In this section I will present some of the more outstanding issues characterising the impact on sport of a globalising world.

First, as sports turned into a commodity and an object for speculative interests, it is the market that decides upon the prize, the availability and the quality of sports. The economism within sports clearly leaves its marks on the competitive power of single teams, national leagues and certain sports. Locally rooted sport cultures, as well as sports that are not attractive to large audiences are threatened with extinction, as they receive no broadcasting time and only limited access to sponsorship money. The endangerment of the plurality of sports spills into all regions of the world sport system. Football truly is a global sport, played by hundred of millions, watched by billions (more than 1.1 billion people switched on to see the World Cup final in 2002), and membership to the world football association FIFA exceeds country affiliation with the UNO. Yet in terms of wealth, the global top 20 of the Football Money League, which counts the day-to-day income from football business, including money from ticket sales, corporate hospitality, merchandising, television revenues, and non-match day stadium use such as for weddings or conferences, is entirely filled by European clubs, with English clubs occupying eight of the positions. Italian clubs have five positions, Germany, Scotland and Spain two each, and one club from France (cf. figure 3).

According to the Deloitte report, income differences are largely based on the development of domestic broadcasting markets and the capability of generating a balanced supplement of primary revenue streams. As the successful teams receive more broadcasting time, they net in larger profits and extend their popularity beyond national borders. The income from broadcasting rights, tournament revenues and merchandising sales abroad is reinvested into new players and other assets which translate again into success. Once a team lags far behind, it needs an economic miracle to bridge the gap to the top group.

Fig.3: Football Clubs Rich List 2003/04

Rank	Club	Country	Annual Income
1	Manchester United	England	259.0
2	Real Madrid	Spain	236.0
3	AC Milan	Italy	222.3
4	Chelsea	England	217.0
5	Juventus Turin	Italy	215.0
6	Arsenal London	England	173.6
7	Barcelona	Spain	169.2
8	Internazionale Milan	Italy	166.5
9	Bayern Munich	Germany	166.3
10	Liverpool	England	139.5
11	Newcastle United	England	136.6
12	AS Roma	Italy	108.8
13	Celtic Glascow	Scotland	104.2
14	Tottenham Hotspur	England	100.1
15	SS Lazio	Italy	99.4
16	Manchester City	England	93.5
17	Schalke 04	Germany	91.4
18	Olympique Marseille	France	88.0
19	Rangers Glascow	Scotland	86.2
20	Aston Villa	England	84.4

Unit: € million
Source: www.deloitte.com/

Second, the concentration of wealth and power produces inequality on local, international and global scales. While the European pole position in football's wealth is heavily biased due to football's minor significance to the world's largest sport market in North America, the global redistribution of sponsorship revenues that largely contributed to the growth of the sport industry in recent years is similarly far from egalitarian. In 1998, of the total money that came to sports from sponsors, 37.8 per cent was spent in North America, another 36.4 per cent in Europe, and 20.8 per cent in Asia (Mitra 2003). As the geographical segmentation of the global sports market shows (cf. figure 4), more than the half of all activities occur in North America, followed by Europe (which includes the insignificant markets in Middle East and Africa in this figure) and the Asia-Pacific. Asia-Pacific, home to a third of the world population, consumed only 12% of all sport goods and services in 2003. Although this region will show the strongest growth rates in the coming years, largely due to the dynamics of the Chinese economy and the Beijing Olympics, there will hardly be any change in the global composition of the sports market.

Fig.4: Global Sports Market in 2003 and Projections for 2008 (in USD billion)

Region	2003	2008	CAGR[1] (%)
Global	74.6	102.5	6.6
US	39.6	55.4	7.0
EMEA[2]	20.9	27.5	5.6
Asia-Pacific	11.2	15.8	7.1
Latin America	2.3	3.0	5.5
Canada	0.7	0.9	4.3

[1] Compound Annual Growth Rate. The year over year growth rate applied to economic activities over a multiple-year period. The formula for calculating CAGR is (Current Value/Base Value)^(1/# of years)-1.
[2] EMEA: Europe, Middle East, Africa
Source: PriceWaterhouseCoopers 2004

Third, disparities in income distribution negatively impact upon the sports supply in a global context. One of the rare surveys on sport activities in the underdeveloped world, conducted by UNSECO in 1995, noted that sixteen of the least developed countries had an average of 71 football pitches, 31 volleyball courts, 13 athlete tracks and 3 swimming pools per country (cf. Andreff 2006). One country even had no stadium capable of hosting a big sport event in accordance with international norms and rules. But hosting a world sport event goes beyond the capacities of other underdeveloped countries, too, as this requires enormous expenditures from any government. The lack of facilities is accompanied by lack of human resources. One of the surveyed country had no physical education scheduled in primary school; three had scheduled one hour per week, and the others between two and three hours per week. But those hours are hardly ever fulfilled due to a shortage of teachers, insufficient education programmes for teachers and the usual lack of facilities and equipment. As exposure to sport during one’s childhood determines the lifelong participation in sport to a great degree, it is not surprising that the ratio of sport participation (calculated on memberships in sport organisations) in underdeveloped countries is in the range of 0.01 to 1% of the population, compared to enrolment rates in European countries ranging between 20% and 25% (Andreff 2006). Given these problems, underdeveloped countries therefore depend on foreign aid for their sporting activities: money flowing from abroad, import of sporting goods and equipments, and multinational sponsorship.

Fourth, and closely related to the global stratification of sports, is the problem of sport migration propelled by the international welfare gap and wage differences of 1:20 or more. All developing countries as well as the transformation economies of the former Eastern Bloc are today utilised as nurseries for athletic talent and a huge pool of sport labour to draw from. The “muscle drain” (Andreff 2006) undermines the sporting substance of a country and questions the humanitarian standards in labour trade. International transfers have increasingly affected youth players. Most transferred to European clubs do not sign a proper contract and are left aside with no source of income and no assistance, when their dreams do not materialise. Being lured away from their friends and families, they often entirely depend on their agent. Particularly if migrants had been playing for clubs that are not affiliated with their home country's national sport federation, the underground market and the network of illegal player agents, offer the only chance for an international transfer. According to a recent report, over 2,200 foreign players in Italy were transferred through illicit channels, and more than 4,000, aged between six and sixteen, were imported from Latin America and Africa (Andreff 2006). Player agents, who receive up to 50 per cent of their client's wages and transfer fees, as well as the Western sport teams and their owner companies, are the main profiteers from the player trade. Hödl (2002:32) critically compares the player trade with the (neo) colonial division of labour. The South is depleted of its natural resources which European or American intermediaries ship to the centres where they are processed for further profit.

Fifth, overall concerns with profit-making and profit-raising have endangered the ethics of sport. The modern slave trade in football has even prompted FIFA to criticise the European clubs for their practices in unusually harsh words. Corruption is another ethical problem, closely related to the big money in sports that gained the attraction of the gambling industry. The referee scandal of the German Bundesliga in 2005 only touched upon the tip of the iceberg which is quite a common nuisance to observers of professional football in China, Malaysia and other Asian countries (cf. Manzenreiter and Horne 2006). According to recent newspaper reports, football pools in Greece have become a fertile ground for money launderers as winning tickets are suspected of being used to cover bribes, conspiracies and funding of hooligan supporters of popular football clubs. In addition, football clubs are apparently used as a vehicle for money laundering by criminals pouring in hundreds of millions of Euros into the clubs. In a world where "winning is everything", the noble idea of fair play is doomed to drown. Money in sports and the prospect of sport scholarships tempt parents into pressurising their kids to aspire and train to become a top athlete from a very early age. The toll on the children's life is very high, as only a very small minority reaches the top, while for every achiever many thousands are left behind. Drug abuse is one way to cope with the constant pressure to excel, both for amateurs and professionals, and doping is a further ever-increasing and so far unsolved problem in the sports world.

Sixth, and finally, concentration of the global sportswear market and industry reflects the global disparity of the distribution of capital and labour. The international sporting apparel and footwear market in 2003 was worth USD 58.4 million at wholesale prices (cf. figure 5; CCC 2004a:6), but more than 75 per cent of the market were generated in the US as the world's largest market and in Europe.

Fig. 5: International Sportswear and Sport Shoes Market in 2002

	Total	**USA**	**EU**	**Asia**	**Other**
Apparel	41.5	16.7 (41%)	15.3 (38%)	6.3 (16%)	2.1 (5%)
Footwear	17.0	7.8 (47%)	5.0 (31%)	2.7 (16%)	1.2 (6%)
Total	58.4	24.5 (42%)	20.3 (35%)	9.0 (16%)	3.3 (7)

Unit: in USD billion
Source: Clean Clothes Campaign 2004

The sportswear industry is a prototypical example for the buyer-driven commodity chain that connects advanced country marketing or retail companies with manufacturers in low-cost, developing countries (Frenkel 2001). Within this arrangement, brand name merchandisers act as lead firms that orchestrate the procurement, manufacturing and marketing of products fabricated by contractors and subcontractors in developing countries. The market leaders usually are well-known: transnational corporations that underwent consolidation through mergers and acquisitions for the purpose of reducing, if not altogether eliminating competition. Their headquarters are based in advanced capitalist societies, hence close to their primary markets, while labour-intensive production has been outsourced, subcontracted and transferred to the less developed countries of the South. Lower wages and fringe benefits, the absence of organised workforces, poorer standards of security, environmental protection and health care are the pull factors behind the New International Division of Labour (SOMO 2003a:1). Hence Nike's Air Pegasus sport shoe that sold in the US for USD 70 only incurred labour costs of USD 1.66 to make.

In the global sports apparel market, Nike, Reebok and Adidas comprise some 14% of the athletic apparel market. Oligopolisation is even more pronounced in the sport footwear market where they account for 60% (cf. figure 6). The "war of the signs", as the fierce competition between the leading "A brand" companies Nike and Adidas has been coined, led these "manufacturers without manufacturing" to shift their main activities towards marketing, while their factories were closed or production outsourced. In 1993, when Adidas closed its German factories, its marketing budget shot up from less than USD 100 million to over USD 400 million. With intensifying competition, expenses further increased: Nike spent in 2000 more than USD 1 billion on marketing, and Adidas still USD 775 million. Distinctively lower, but still impressive, were the marketing expenses by Puma (USD 107 million) and the Japanese sport good manufacturer Mizuno (USD 81.6 million; see CCC 2004b:32).

Fig.6: The Global Athletic Apparel Market Share by Brand in 2002

	Nike	**Adidas**	**Reebok**	**Fila**	**Umbro**	**Puma**	**Asics**	**Lotto**	**Kappa**	**Mizuno**	**other**
Sports-wear	7.3	5.0	2.5	1.2	1.0	1.0	0.8	0.2*	0.3*	0.5	80.2
Foot-wear	32.1	16.5	9.1	2.7	1.0	5.3	3.8	0.6	1.0*	1.4	26.5

Unit: per cent; * estimates
Source: Clean Clothes Campaign 2004

As Nike or Adidas, the "B brand" companies Puma, Fila, Lotto, Umbro and Kappa no longer own any factories. Also Asics, Mizuno and other companies of the top 20 sportswear manufacturers source more and more of their products from overseas suppliers. According to estimates by Adidas, the ratio of workers employed by branded corporations to workers employed by subcontractors in the athletic sportswear market is 1:20 (CCC 2004a:17). Research in the sweat shops of the industry found out that violations of labour rights and ILO core conventions are quite common. The overwhelming majority of garment workers were identified to be women younger than 25 years, sometimes even of minor age. Poor security standards, long working hours, forced overtime work upon short notice, no payments of health provisions and social security benefits, union repression, payment at national minimum level and by a piece rate at unreasonably high production targets are typical strategies of employers to keep expenses low.

Brand name corporations were often considered the strongest players who dictate terms to the presumed weaker supplier. Hence particularly the “A brand” companies have been targeted as exploiters of “Third World” labour and unscrupulous engine of the “race to the bottom”. After massive consumer protests, these companies were the first to adopt Social Responsibility Policies and Codes of Conduct that are strong instruments for improvement of workplace conditions, provided they are accompanied by compliance programs to ensure that standards are implemented and verified. B brand companies and largely unknown Asian companies such as Li & Fung or Yue Yuen have so far evaded the scrutiny of labour rights organisations and NGO’s, although they basically use the same practices. Li&Fung, or Sri Lanka-based Tri-Star, or Ramatex from Malaysia belong to those Asian Multinational Corporations that function as a supply chain manager for numerous apparel brands, investing in production operations not only in the Asian region but also in places as far away as South America or Africa. Taiwanese companies Pou Chen, holding a 16% world market share of branded sport shoes, and Yue Yuen, which is the world’s largest footwear producer that manufactures one out of every six sneakers for over 30 different brands, grossed net profits larger than any single sourcing company in the sportswear industry – with the exception of Nike. The increasing oligopolisation of the components market industry raises barriers to entry and places the power to develop and handle component networks in the hand of the global suppliers. The growing power of Asian Multinational Corporations within the global chain of the sportswear industry calls into questions some of the of the presumed power dynamics of the system.

Conclusion: The Commercialisation of Sport and Globalisation

Sport has become increasingly important to the globalisation process as a means to promote a global mass consumption culture. Sports contributed to the promotion, marketing and circulation of commodity goods through various channels. Standing in the spot lights of stadiums, tabloids and television, athletes turned into pop stars and agents of the promotion of goods and services. Sports as a mass mediated spectacle helped to sell the media to an audience and the endorsed products to consumers (cf. Horne 2006). As we have seen above, the globalising changes occurring in sport include increased involvement by global telecommunication oligopolies such as News Corp. or Disney, that do not only sell sports to the viewers, but also sport audiences as customers to the consumer industry. For the purpose of maximising profits, media corporations extended their activities from the traditional core business of sport broadcasting to more direct forms of involvement, such as ownership of teams or sponsorship of leagues. Shifting the focus from saturated markets towards new territories and consumer segments corresponded with the expansionary urge of capitalism. For the consumer industry, the transnational television broadcast of sport opened up access to so far unexplored giant consumer markets, providing athletes, clubs and sport organisations with previously unknown amounts of income from sponsorship revenues and television rights. Exerting ever growing influence on the international sport associations, it is the media and their corporate clients that nowadays decide the scheduling and production of sport events, and not the governing bodies.

The recent process of hyper-commercialisation in sports is a consequence of the crisis of the Fordist production system and subsequent power shifts within the global political economy. While capital has always been global, Harvey (1989:141-172), Arrighi (1994) and others have cogently analysed how a crisis of over-accumulation hampered the profitability of US manufacturers in the 1960s. Overproduction resulted in massive lay-offs and sinking demands, thereby leading to shrinking company profits and government revenues. The squeeze of profits caused capitalist organisations to divert their cash flow from production and trade to new investment forms, most notably to hoarding, borrowing, lending and speculating in financial markets. The post-Fordist regime of flexible accumulation is characterized by “the emergence of entirely new sectors of production, new ways of providing financial services, new markets, and, above all, greatly intensified rates of commercial, technological, and organizational innovation” (Harvey 1989:147). Technological change in communication infrastructures and the deregulation of national media markets spurred the concentration of capital ownership and control over the cultural industries, which is a central feature of the global cultural economy. Because of this concentration, financial services and cell phone communications have recently become the new major sponsors of big sports.

All these changes would have been impossible without the neoliberal project. The dominant political actors set up the regulatory framework that enabled cross border transactions, the deregulation of national economies and the unravelling of welfare state mechanisms. All over the world governments have taken steps to flatten the public sector and to reduce social benefits; Sport is no longer viewed as part of a welfare policy pursued by the state, with the aim to make sport for all a reality. As a consequence, commercial suppliers and non-governmental actors replaced the state as key players of mass sports. Liberalisation policies deregulated the economy and labour laws, which facilitated the inrush of foreign capital into sport, the dominance of transnational broadcasters in previously state-run media markets, the migration of sport talents and the new international division of labour. Economic policy spurred the relocation of manufacturing into peripheral economies, while the domestic emphasis shifted towards the development of service industries and the imperative of consumption.

Does this mean that the commercialisation of sports is inevitable, and that there is no way to counter the global sports industry complex? The “sport as business” problem itself is a problem of capitalism and cannot be solved without larger transformations of the global political economy and the hegemony of neoliberalism. But change can also begin with political action of more modest objectives. For example, Andreff (2004) suggests the introduction of a “Coubertobin Tax” to slow the muscle drain from the underdeveloped countries. The tax should levy at the level of 1% rate on all transfer fees and initial wages, and a surcharge should gradually increase in accordance with the decreasing age of minor players. If this disincentive to transfer a player from a developing country is not strong enough, the income would at least cover education expenses, provide revenues for national sport development funds. Information campaigns or buyers’ boycott can act upon brand name corporations to increase the standards for the workers inside of their production chain. Particularly since wages and other direct costs are only linked to 15% of the approximately 100 steps between the design and shipment of a complete garment (SOMO 2003b:2), wage hikes would not necessarily undermine the competitiveness of the company. Then developmental programs like FIFA’s “Goal”, The IOC’s “Olympic Solidarity” or the project of the athlete-driven international humanitarian organization Right To Play that uses sport and play as a tool for development of children and youth in the most disadvantaged areas of the world, also give hope to the preservation of moral integrity within sports and the usefulness of sports for making this world a better place.

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[2] After finishing the first draft version of this article in autumn 2005, I happened to find out that Joseph Maguire deserves the credits of having coined the term “sport-industrial-complex” first.