

The Impact of Market-Oriented Reform of Professional Sports Leagues on the Development of the Sports Industry: A Case Study of the Chinese Professional Football League

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Abstract:

As China's sports industry expands, sports leagues are driving industrial growth and structural transformation. As a core part of modern sports systems, China's professional football league has undergone market-oriented reforms to reshape its operation, commercialization and industrial links. The paper provides the Chinese professional football league as the research subject and adopts literature review, case analysis, and comparative analysis to conduct systematic research on the development of its reform process and its overall influence on the industry. The results indicate that the trend of corporatization of leagues, maturation of commercial sponsorship systems, and the growing worth of media rights have played an important role in the growth of sports consumption and the lengthening of the sports industry chain. Moreover, the reforms have enabled optimization of the structure by fostering integration with other areas like media, education, tourism, and digital services. Still, there are ongoing problems, such as incomplete governance structures, insufficient financial sustainability of clubs, and the lack of sports consumption culture. There is thus the need to enhance institutional structures and enhance market mechanisms further to facilitate the high-quality development of the sports industry in China.

Keywords: Professional sports league; Market-oriented reform; Sports industry development; Chinese professional football league.

1. Introduction

Over the past several decades, rapid development of the sports industry in China has been observed due to the combined impact of the policy support, the growth of household income, and the growing popularity of health and leisure activities among the population. In this transformation, professional sports leagues have been able to become an important part of the sports industry because of their high levels of commercial characteristics and their ability to incorporate various sectors of the economy. The Chinese professional football league is among them and is one of the most important and most monitored examples of a market-oriented reform [1].

Professional football leagues are not just the arenas of athletic competitions but also multifaceted economic systems that generate economic value in a variety of ways [2].

A diversified revenue structure is comprised of matchday consumption, broadcasting rights, sponsorship agreements and derivative products. Moreover, professional leagues have the effect of spurring upstream and downstream sectors such as sports media, sports marketing, venue management, tourism and training of the youth. It is an interrelated structure that points out the importance of professional leagues as an economic driver and a significant means of sports culture in the sports industry [3].

The progress of market-oriented reform of sports sector in China has been strongly associated with the wider institutional reforms. Policy frameworks since the mid-2010s have stressed the need to separate the administrative control and market operations, and to increase the involvement of the private capital and enhance efficiency in governance [4]. In this context, the Chinese professional football league has been under continuous institutional reform to increase the competitiveness and sustainability.

Regardless of these attempts, there are a number of structural problems that have remained. The Chinese Super League has a relatively low degree of financial stability, brand value, and influence on the world as compared to mature European leagues. The heavy inflow of capital at some points has resulted in short-term growth but also created risky situations like the creation of financial imbalance and overreliance on external investment. Moreover, the culture and consumption patterns of fans have not yet reached their maturity and thus commercial potential is not maximized.

The literature available has discussed several facets of professional sports development such as modes of governance, commercialization policies and industrial connections. Nevertheless, it still needs an in-depth analysis combining these dimensions and assessing how market-oriented reform affects the sports industry in general. This paper aims to fill this gap by examining the transformation process of the Chinese professional football league

and evaluating its impact on the size, organization, and health of the industry.

2. Market-Oriented Reform of the Chinese Professional Football League.

2.1 The First Stage of Professionalization in the Chinese Football League

The Chinese professional football league has developed in three different phases of its market-oriented reform, which were marked by particular institutional setting and priorities of development. These phases are indicative of the internal processes in the football system, as well as macroeconomic and policy shifts in China.

The first phase of professionalization (1994-2003) took place.

In 1994 the creation of the Chinese Jia-A League was a turning point in the history of football in China. Through this reform, the idea of professional leagues came into play and the shift towards a more market-oriented structure in sports was initiated as opposed to a state-run system.

The main goal during this period was to establish a framework of professional football. Clubs started to be run with enterprise managements and corporate sponsorship became one of their main funders. With the advent of advertising, broadcasting and ticketing systems football matches were able to make commercial revenue.

Such developments led to a massive growth in publicity and media coverage. Games attracted more viewers and the league over time became a well-known entertainment product. The development of a commercial value chain also triggered other related industries like sports media and advertising.

Nevertheless, there were institutional deficiencies. There was no clear definition of governance structures and deficiency of financial supervision mechanisms. Consequently, problems of lack of clarity of responsibilities, inconsistency of management practices, and low levels of market discipline cropped up. All these issues restricted the effectiveness of the league activities and posed uncertainty in the long-term development.

However, the first phase was significant in bringing market principles to the sports system and setting the foundation of the further reforms.

2.2 Adjustment and Standardization Phase (2004-2014)

A new stage of institutional development was the introduction of the Chinese Super League in 2004. The reforms that were done during this period aimed at enhancing the governance structures, standardization of league opera-

tions and commercial value addition.

The strengthening of regulatory frameworks was one of the main reform priorities at this time. There was an attempt to strengthen the competition regulations, introduce more explicit club admission criteria, and strengthen the control mechanisms. These were taken to ensure that there was more institutional stability and transparency in the running of the leagues.

Meanwhile, commercial development became more advanced. Sponsorship schemes were slowly institutionalized and the price of broadcasting rights started to soar. Growth of digital media platforms also diversified the mediums by which football matches were relayed to the viewers, and this made football matches more accessible and involving to the viewers.

The development of related industries was also because of the increasing power of the league. There was a significant increase in sports media production, event management, and marketing services. Professional football started to have a bigger role in the overall sport industry.

In spite of these successes, there were also serious problems of this stage. Cases of match-fixing and corruption eroded the trust of the people and pointed out weaknesses in the governance and enforcement of regulations. Such problems led to government intervention and more strict regulation that allowed regaining credibility and preconditioned additional reform.

2.3 Stage of Reform (Deepening) (2015-Present)

In 2015, with the publication of the Overall Plan of the Reform and Development of Football in China, a full-scale period of reform started. The policy framework placed emphasis on the concept of modern governance, market-based operations and sustainable development.

On the governance, there has been an attempt to define the roles of regulatory bodies and market actors. The progressive decoupling of the administrative operations with league operations is meant to enhance efficiency in decision-making and enhance responsiveness to market dynamics.

The league has been shifting to diversified sources of revenue, such as media rights, sponsorship deals and brand building, in a commercial way. The high rate of digital technology development has only increased the possibilities of content distribution and monetization, which have allowed new fan interactions.

Financial sustainability has taken the center stage at the club level. Salary restrictions and investment laws have been established to check on their high expenditures and make them more sensible on their investments. These are taken to achieve a more balanced and sustainable development model.

However, challenges remain. Other clubs are still in need of heavy corporate investment and are not stable in terms

of their revenue. Financial problems have also risen due to economic fluctuations and variation in investment strategies by some clubs leading to withdrawal of the league. Such developments point to the fact that the market-oriented reform is still immature and needs to be adjusted.

3. Effect of Market-Oriented Reform on Sports Industry.

3.1 Increase in the size of Industry.

The commercial value of professional football leagues has been greatly improved because of market-oriented reform, which has led to the growth of the sports industry. Broadcasting rights, sponsorship, ticket sales and derivative products have generated a significant amount of revenue that has served to fund both leagues and clubs.

Media technology development has been instrumental in this process. The broadcasting of football matches on television and on digital platforms has increased the coverage of football matches and has made them significant content in the cultural and entertainment sectors. This merging has enhanced the merging of both sports and media industry that has generated new sources of economic development. Moreover, the concept of corporate sponsorship has become a vital element of sports industry. The companies can make investments in leagues and clubs to increase brand visibility and interact with consumers. This win-win association has helped to create a market-oriented operation mechanism.

3.2 Industry Structure Optimization.

The sports industry has also benefited through structural transformation due to the reform process. The conventional model which is government-oriented investment and low market participation has slowly transformed into more diverse industrial organization.

Sports media, event production, data analysis and related services have been spurred by professional football leagues. This growing need of high-quality sports content has stimulated innovation and specialization of sports media, event production, data analysis, and other services.

Moreover, youth training programs and educational initiatives have been enhanced by the popularity of football. The growth of grassroots football has helped to create a more inclusive sports ecosystem, which connects mass participation to professional competition.

3.3 Industry Vitality.

The responsiveness of the sports industry to the demand of the consumers has been enhanced through market-oriented reform. The influx of capital has led to better infrastructure, better quality of events and more appealing

professional leagues.

Meanwhile, the competition in the market has promoted business model and mode of fan service innovation. The clubs and leagues have sought alternative methods to connect with fans such as digital platforms, social media, and interactive experiences.

Nonetheless, the high influx of capital has also come with risks. Financial instability and overinvestment have been a source of concern especially in situations where clubs have one source of funding. These issues illustrate the necessity of more equal and sustainable development approaches.

4. International Comparison and Theoretical Perspectives.

Theoretically, the market-oriented reformation of professional sports leagues can be studied in the context of industrial organization and institutional economics [5]. Professional leagues may be considered as arenas that facilitate the interaction between two or more stakeholders such as clubs, media organizations, sponsors and consumers. The effectiveness of such arenas rely on the effectiveness of governance structure and market mechanisms [6]. Professional leagues in mature sports markets, e.g. those in Europe and North America, are often governed in a relatively autonomous way. Commercial operations are handled by league organizations and supervision and policy guidance by regulatory bodies [7]. Such division of powers helps to achieve efficiency and stability. The Chinese professional football league is still in the transitional phase compared with these models. The administrative and market aspects coexist, which results in opportunities and challenges [8]. Policy support can help to develop quickly on the one hand, but on the other hand, strict institutionalization might suppress the flexibility and innovativeness.

The international experience also indicates that financial regulation and revenue sharing mechanisms can play an important role in ensuring a balance in competition [9]. Such practices have been used as valuable guidelines towards the current transformation of the Chinese professional football league.

5. Challenges and Constraints

The system of governance is still at transitional level with duplication of responsibilities and lack of independence in some aspects. This may impact on the efficiency of decision-making and long-term planning.

Overdependence on business capital poses a financial risk. In the absence of revenue diversification, there can be high risks as external funding reduces since the clubs are

not diversified in revenue [10].

It takes time to build a stable fan base and culture of sports consumption. Existing limitations of consumer involvement and cultural involvement limit revenue opportunities.

6. Policy Recommendations

More roles and responsibilities of both regulating bodies and market entities can be clarified and enhance effectiveness and clarity.

Financial stability can be strengthened by expansion of additional sources of income, such as digital media rights and commercial platforms that focus on fans.

The need to create stronger connections with related industries like tourism, education and technology can enhance the overall value of the industry.

7. Conclusion

Reform of the Chinese professional football league in the market-oriented manner has been a major factor that has contributed to the growth of the sports industry. It has helped to increase the scale of industry and optimize the industrial structure and increase the industry vitality.

Nevertheless, issues of governance, financial viability and market development persist. Further reforms are required to balance institutional frameworks and market forces, enhance commercial capacity and encourage a better sports culture.

Through sustained policy backing and continuous institutional change, the Chinese professional football league can probably have a greater role in enhancing the high-quality growth of the sports industry.

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