

# Development of China's Sports Goods Industry from a Value Chain Perspective

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## Abstract

**This paper adopts the global value chain theory to analyze the development of China's sports goods industry. Through a comprehensive and dynamic perspective, the paper analyzes the current status of China's sports goods industry, identifies its position in the global value chain, and provides theoretical basis for the industry's development and upgrading in the global value chain. The paper also delves deep into the industry's shortcomings in high value-added areas such as product development, innovation, marketing management, and brand operation, as well as its low product value-added problem.**

## Keywords

**Sports goods, Value chain, Industry upgrading.**

## 1. INTRODUCTION

Under the wave of economic globalization, the sports equipment industry has achieved globalized manufacturing and sales, and China has gradually become the center of global sports equipment manufacturing. According to Zhou Chengxiong's (2010) research, China accounts for more than 65% of the world's sports equipment production share. However, to achieve the sustainable development of the Chinese sports equipment industry in the context of global economic globalization, it is necessary to conduct in-depth research on China's sports equipment industry from the perspective of the global value chain, in order to promote the continuous growth of China's sports equipment industry in international trade and gradually achieve upgrading and development.

## 2. RESEARCH PURPOSE AND SIGNIFICANCE

This study aims to analyze the current development status and position of China's sports equipment industry in the global value chain from the perspective of the global value chain, and to explore the influencing factors and obstacles of the current industrial upgrading of China's sports equipment industry in depth. Through the analysis of the development of China's sports equipment industry, this study will provide useful strategies and methods for the development and upgrading of China's sports equipment industry, guide China's sports equipment industry to upgrade to the top of the global value chain, and transform China from a sports equipment manufacturing power to a sports equipment manufacturing powerhouse as soon as possible. The results of this study will help improve the international competitiveness of China's sports equipment industry, promote the position of China's sports equipment industry in the global value chain, and promote the development and growth of China's economy.

### **3. RESEARCH OBJECTIVES:**

The development of China's sports goods industry is the focus of this research. The study aims to analyze the reasons why China's sports goods industry is at the lower end of the value chain and proposes relevant policy recommendations to reverse the unfavorable situation during the development process.

### **4. RESEARCH METHODS:**

#### **4.1. Literature Review Method:**

A large number of relevant books were consulted in the school library based on the research topic, and relevant literature searches were conducted on databases such as China Knowledge and Wanfang Data. The collected literature was carefully studied, summarized, and analyzed in detail from the perspective of the global value chain to understand the development status of China's sports goods industry.

#### **4.2. Logical Analysis Method:**

The global value chain is the basis of the entire paper. The specific research object is the Chinese sports goods industry. The study starts from known general principles and principles to examine the position of the Chinese sports goods industry in the global value chain, the existing barriers to upgrading, and development strategies.

### **5. RESULTS AND ANALYSIS**

#### **5.1. Global Value Chain Theory**

##### **5.1.1 Research on Global Value Chains Outside China**

In the early 1980s, foreign scholars discovered the advantages of international division of labor in the field of business economics and based on this, proposed and developed the theory of global value chains. Among these scholars, Porter can be regarded as the creator of the value chain theory, which is the most widely spread. However, Kogut's theory of value-added chains is more complete than Porter's theory and can better explain the relationship between international vertical division of labor and global reallocation, thereby further promoting the formation of the global value chain theory.

Regarding the issue of value chain formation and definition, Porter, a professor at Harvard University, combined international division of labor with industry agglomeration and proposed the theory of value chains in 1985 in his book "Competitive Advantage". He believed that the different values created by a company's operations are jointly created by basic activities and supporting activities, and these creating activities jointly constitute the company's value chain throughout the entire production process. Moreover, there is also a value chain between an economic organization and other external economic organizations. These economic organizations' value chains are interconnected and interact with each other, forming a complex value chain system. Kogut (1985) started from the perspective of factor endowment differences and analyzed the strategic advantages of various countries in foreign trade. He proposed the theory of value-added chains, which refers to the integration of raw materials, labor, resource endowments, and production technologies into various links in the production process of a product to create the final product. Finally, these final products are put into the trading market for consumers to choose and consume, and the value cycle formed by this process is the value-added chain. Gereffi (1994) and other scholars have delved into transnational production organization systems and connected value chains with the global production organization system, proposing the concept of the global value chain.

Regarding the relationship between value chain and enterprise competitiveness, Porter believed that any economic organization in the market is attached to this value chain system, and the degree of its connection determines the size of each company's competitive advantage. Kogut believed that because of differences in resource endowments in different countries or regions, international division of labor will also be different, which explains that the differences in resource endowments in each country or region ultimately determine the position and added value links occupied in the value chain, which in turn determines the size of enterprise competitiveness. Compared with Porter's viewpoint, Kogut's viewpoint is not limited to the enterprise level. He extends the value chain to the national and regional levels and tries to find the real reason for the separation of the value chain. Kogut's viewpoint can better explain the relationship between value chain separation and global spatial reallocation.

Regarding the classification of the governance model of the value chain, Gereffi(2001) divided the value chain into "producer-driven and buyer-driven" for the first time. Humphrey divides the governance model of global value chain into four types: hierarchical, semi-hierarchical, network and market. Luciana Marques Vieira(2008) divided the governance models into three types: market-oriented, network-oriented and bureaucratic. They believed that the governance of global value chain refers to the process in which leading enterprises in high value-added links in the value chain lead, control, organize and manage various economic activities through various means (administrative, legal and other means), and this process can adopt market means or non-market means. Humphrey and Schmitz(2004) divided the bureaucratic governance model into quasi-bureaucratic and quasi-bureaucratic, and they thought that the governance intensity of quasi-bureaucratic was weaker than that of bureaucratic, but stronger than that of network [Humphrey, J. and Schmidt, H., local enterprises in the global economy issues of governance and upgrading[C].Cheltenham Elgar,2004]。 Sturgeon(2002), from the perspective of national factor endowment, thinks that the difference of factor endowment directly affects the choice of governance mode of global value chain, so he divides the network type into three types: leadership type, relationship type and network type. However, these divisions can't well reflect the governance intensity of the value chain. Therefore, in 2003, Gereffi, Humphrey and Sturgeon, on the basis of other scholars' research, referred to other researchers' divisions of the governance model of the global value chain, and further divided the governance model into "hierarchical, leading, relational, modular and market-oriented".

## 5.2. Global Value Chain of Sporting Goods Industry in China

### 5.2.1 Dynamic mechanism

The dynamic mechanism of sporting goods industry refers to the driving force model to promote the development of sporting goods industry and form the market demand of sporting goods industry. In the theory of global value chain, the dynamic mechanism of industry includes producer-driven mechanism, buyer-driven mechanism and mixed-driven mechanism, and the sporting goods industry is no exception. The dynamic mechanism of sporting goods industry in China is mixed, which is a combination of producer-driven and buyer-driven. According to the different power sources, it can be divided into three aspects: investment power, science and technology power and consumption power.

#### 5.2.1.1 investment power

The investment trend of sporting goods industry in China is increasingly diversified, with enterprises' own investment as the main source, supplemented by other investment methods. According to relevant data, the number of sporting goods enterprises in China is about 20,000 ~ 25,000, most of which are small and medium-sized enterprises, which mainly rely on their own funds for investment. In addition, some large enterprises adopt the way of listing financing, such as Li Ning Sporting Goods Co., Ltd. and Anta Sporting Goods Co., Ltd., etc., and raise a lot of

funds for the development of enterprises through the securities market. In addition, sports funds have also played a certain financial support role in the development of sporting goods industry. The sports foundation systems such as the All-China Sports Foundation, Beijing Sports Foundation and Shanghai Sports Foundation have also taken shape, providing financial support for the development of sporting goods industry.

From the enterprise's point of view, China sporting goods enterprises have a great demand for financing. At present, enterprise funds only maintain basic operations, and initially meet the needs of raw material purchase, processing and manufacturing, and wholesale sales. However, core business funds such as R&D and design, talent introduction, and scientific and technological innovation are lacking, and investment is insufficient. The financing methods of enterprises are single. Because of their small scale and limited profits, most of them are processing materials, so attracting direct investment and issuing stocks are limited.

#### 5.2.1.2 science and technology power

With the rapid development of modern science and technology, the scientific and technological content of sporting goods has been continuously improved, and scientific and technological elements have become an important part of its core competition. Sporting goods technology has a trend of high-end and application. For example, Nike introduces about 400 new basketball shoes every year, which attracts consumers' attention. In addition, many sports events have set the entry threshold for the technical standards of sports equipment, and environmental protection technology has become the development trend. Zhou Chengxiong's research (2010) pointed out that the factors driving the growing American sporting goods market include fashionable design, the use of environmentally friendly fibers and the continuous improvement of technology. However, looking at the scientific and technological situation of the sporting goods industry in China, the whole industry is in a backward stage. China's sporting goods enterprises mainly adopt OEM mode, mainly processing materials and OEM. A number of studies show that China sporting goods enterprises lack the support of science and technology, and 80% of the products belong to middle and low-grade products, with low technical content and lack of core intellectual property rights, so it is difficult to form influential brands. Analyzing the reasons, we can find that, firstly, China enterprises are small in scale and can only carry out simple processing, manufacturing and retail; Second, the investment in scientific and technological research and development is insufficient, and the investment of enterprises is mostly used in production and sales, and the research and development funds are seriously insufficient; Third, the lack of independent brands, the lack of brands makes the production of sporting goods fall into a vicious circle of low level.

#### 5.2.1.3 consumption power

Consumer demand is the direct driving force to promote the development of sporting goods industry, and the strength of demand determines the size and development potential of the market. The consumption of sporting goods mainly comes from two aspects, one is the domestic consumption of sporting goods, and the other is the export of sporting goods. In the global manufacturing share of sporting goods in China, "sports shoes account for more than 70%, table tennis accounts for more than 80%, and badminton and table tennis rackets account for 70%-80%, which reflects the extensive influence of the sporting goods industry in the world". However, under the influence of financial crisis and uncertain factors of trade barriers, excessive export dependence makes the sporting goods industry face great development risks.

#### 5.2.2 Governance structure

##### 5.2.2.1 The Position of China Sporting Goods Industry in the Governance Structure of Global Value Chain

Today, nearly 100 international sporting goods brands have entered the China market and set up production bases and sales networks in China. Since the 2008 Beijing Olympic Games,

China's sporting goods industry has developed rapidly and its position in the governance structure of global value chain has been continuously improved. Especially in sports clothes, shoes and hats, the level of R&D and design has been continuously improved. However, on the whole, the position of China's sporting goods industry in the global value chain has not changed substantially, and most enterprises are still small and medium-sized enterprises, and are in the stage of processing and OEM.

### 5.2.3 Industrial upgrading

#### 5.2.3.1 Countermeasures for industrial upgrading

The industrial upgrading of sporting goods refers to the improvement of the structure and benefit of sporting goods industry. Ma Haiyan (2007) pointed out that the improvement of the structure of sporting goods industry is mainly reflected in the complete categories, perfect structure and coordinated development of sporting goods industry. The improvement of the benefits of the sporting goods industry is reflected in the optimal combination of various production factors, the enhancement of innovation ability, the increase of technical level, the improvement of management level, the excellent product quality and the substantial improvement of the industry benefits.

Bao Mingxiao (2004) proposed that according to the four levels of the upgrading of the sporting goods industry, four ways to upgrade the sporting goods industry can be established. First, the process of sporting goods production is upgraded. The second is to upgrade the products of sporting goods, and constantly introduce newer and more attractive products to meet the needs of the public and realize the upgrading of products. The third is the chain upgrade of sporting goods. From the simple manufacturing of sporting goods to the upgrading of design, R&D and marketing, we should eliminate low value-added chain links and concentrate on high value-added links. The fourth is the upgrade between departments. The upgrading between departments refers to the ability to apply the acquired ability in the sporting goods industry to new industries and departments to form new fields.

## 6. SUMMARY

### 6.1. Increase investment support: establish a diversified investment pattern.

Increase investment in the sporting goods industry and establish a diversified investment pattern. First of all, the government should gradually establish an investment system and create a good investment environment. Secondly, sports funds should be increased to support the development of sporting goods industry. Finally, establish sporting goods investment companies and venture capital institutions to support the development of sporting goods enterprises from the perspective of investment.

### 6.2. Promoting standardization: promoting the development of norms

Promote the standardization of sporting goods industry and promote standardized development. Establish a systematic standard for sporting goods, update and improve the standard system in time, and strengthen the publicity, promotion, implementation and implementation of the standard.

### 6.3. Promote independent innovation: form core competitiveness

Promote independent innovation of sporting goods and form core competitiveness. Strengthen independent innovation, integrate modern science and technology into the research and development, design, production and sales of sporting goods, and form core intellectual property rights. At the same time, gradually form the design and manufacturing technology of sporting goods with independent property rights, develop new products, and form independent

brands. In independent innovation, we should pay attention to the protection of independent intellectual property rights, so that independent innovation is in a virtuous circle.

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