

KEY TRENDS IN THE DEVELOPMENT OF RUSSIAN SPORTS MARKETING INDUSTRY

© 2008 A.N. Enilin*

Keywords: sports marketing, brand, trade mark, sponsorship, Adidas, Nike, the sport articles.

This article gives an analysis on the current state of Russian sports marketing industry, delves the structure of sports business in Russia, and marks out a number of promising trends in the development of the sports industry as an independent economic branch.

Sports can be called “a social phenomenon of the 20-th century”. Over the past century it penetrated into a large number of social institutes. Many countries realize the role of sports in personal education and regard health as the guarantee of a powerful state, so they invest much money into the development of sports and physical culture. Through such development sports became not only a social institute but also a specific kind of professional activities. Presently, sports can be divided into two categories: amateur sports and professional sports, the latter involving more economic entwinements and marketing instruments which are inherent in any other economic branch. Herein one faces the development of sports business.

Being a kind of economic activity, business is very effective at present and can be greatly profited from by those running it. For the sake of profit, various schemes are employed, including marketing instruments. Modern business is inclined to use sports as a mediator between the consumer and the business itself. Sports can also be used as an alternative channel of promotion. On the other hand, it has been a long time since sports (or sport activities) became a kind of business.

The concept of “sports marketing” associated with a profit-making market instrument or an economic branch originated in the West, where today it represents a highly profitable industry functioning according to its old-established rules and regulations. Russia is progressing in quite another direction. To begin with, Russia lacks the very notion of the “sports marketing” essence. That can be accounted for by the fact that the term “sports marketing”, having originated in the West, still has no Russian equivalent. In Russian it is nothing more than a loan-translation of what is known to be an item

of western practice. The processes and affairs encompassed with this term for the western mind are only in the initial stage of development in Russia. Secondly, the term “sports marketing” should not be interpreted or translated by merely coupling two definitions - “sports” and “marketing”. If separated, these concepts should be interpreted in the following way. Sports is an integral part of physical culture which has historically formed as a competitive kind of social activities devoted to physical development of a human body. Marketing is a management concept aimed at organizing such business activity where one strives to make a profit by satisfying the existing demands. Blank conflation of these concepts is not enough to describe this economic branch with regard to Russian specificity.

Presently, there are two reasons behind inefficiency in accommodating the western term to Russian economic realities. Moreover, these reasons stand as peculiarities of sports business development in Russia.

First and foremost, as it has been mentioned above, there is no **one** and clear understanding of the concept “sports marketing”. The cause-and-effect relation which would merge the two concepts together is absent.

Secondly, the system of Russian sport organizations is a long distance away from being flexible. Sport functionaries are not skillful in earning money yet. They are accustomed to the system of governmental sponsorship, a hang-over from the Soviet times. The government, however, went over to a market economy in which self-financing is an important principle to be dealt with. Although physical culture and sports are still financed by the governmental budget, these allocations are not sufficient. The government’s concern about the health of the

* Alexander N. Enilin, post-graduate student, Moscow State University of Economics, Statistics and Informatics.

nation, although being repeatedly stressed on, does not result in real actions. The funds allocated at 0,5% of the national budget are not sufficient for the development of mass sports, for training potential champions. Thus, it can be concluded that the management of sport organizations should be restructured. It is also necessary to prepare professional sport managers to meet the needs and challenges of the market economy for the purpose of transforming Russian sports industry into a self-dependent economic branch.

Thirdly, professional sport organizations are expected to bring profit. But in Russia sport organizations (unions or federations) remain social organizations which allegedly work for anything other than profit-making. However, as a rule, these are they who organize sporting events, some kind of a gold-mine. Sports are known to be a sphere where gigantic money is concentrated. There arises a contradiction which is not settled yet. It seems that further functioning of this branch will be hard without legislative interference by the Government.

Fourthly, in Russian sports marketing no play is given to television facilities, while in the West incomes from selling rights for a television broadcast of sporting events range between 20-40%, depending on a specific sport involved into the profit structure of a sport organization. In Russia there have been instances of organizers and participants of tournaments paying their own money to TV channels to have the sporting events broadcasted.

In Western view, sports marketing is something that can be referred to a component of business with the following structure:

- ◆ manufacture of sporting goods and equipment;
- ◆ activities of sport organizations;
- ◆ sports sponsorship;
- ◆ advertising (such as invitation of sportsmen and teams to participation in advertisement arrangement, as well as the usage of club symbols and sports stylistics) - the construction and exploitation of athletic facilities.

Russia has adopted for practice something different. In Russia the most developed item of sports marketing is the manufacture of sporting goods and equipment. The market of sporting goods and accessories has the following features:

1. The share of sportswear in the market of sporting goods and equipment (shoes and accessories), according to various statistics, is about 50%.

2. Sportswear is usually divided into: "clothing for professional sportsmen", "sportswear" and "sports-style wear". Clothing for professional sportsmen is very costly, mainly due to application of new technologies, ergonomic materials and consideration of specific requirements for various sports. The "sportswear" is also known for high quality, but, what is different, is designed for common consumers as well. The "sports-style wear" combines both athlete and fashion spirits (so called *casual wear*).

3. The world wide development of vogue for sportswear, and sports-stylized goods. According to "Sport Communication Group", more than 70% of clothing and shoes bought in running shops are never put on for going in for sports [6]. Almost all clothing and shoe brands such as Prada, Valentino, Versace Sport, Polo Sport (Ralph Lauren), Hugo Boss (Orange Label), etc. provided themselves with sports lines. Andrei Malygin, Editor-in-Chief of trade publication "Sports industry news", explains, "People buy clothes not for going in for sports, but for daily walks outside" [6]. Sportswear manufacturers which used to be no more than sports trademarks (Adidas, Nike, Reebok, Umbro) have to introduce sports lines "*life style*" in order to retain customers. For instance, shortly before the Olympics in Turin a Russian company Bosco Sport produced a new Olympic collection while an English company Umbro, one of the leaders in the football kit market, on the threshold of football season 2005-2006 produced a youth shoe collection. Another illustrative example can be mentioned. Puma is holding a leadership position within *life style* wear market. It brought great success to the company. In 2005 its global sales reached 2,44 billion euros, a 23% increase as against the preceding year. Maxim Kozin, Puma's official representative in Russia, says, "Now about 70% of our basic collection is represented by sports-stylized goods (*sport life style*), while only 30% falls to the share of athlete kits[6]. Other sports industry leaders also follow this trend, but with other ratios in assortment ensuing. Reebok's officer Denis Kozin comments, "We also promote *life style*, but, unlike Puma, don't link our main brands to

it by totally or almost totally shifting to the production of fashionable sports-stylized goods and shoes" [6]. According to Dmitrii Binevsky, Marketing Director of Adidas-Salomon, now the share of *life style* wear accounts for 30% of Adidas' sales.

Those described above are also the features of Russian sports industry market. Besides that, Russian sporting goods market has its own distinctive features. Russian sportswear market is filled with both domestic and imported goods. It is one of the most dynamically developing businesses in Russia on the whole. Cheap imported products are mainly represented by manufacturers from South-East Asia (China, South Korea) and Turkey. High-quality and relatively expensive sportswear is offered by such countries as Finland, USA, Italy, etc. A certain market segment is occupied by domestic manufacturers with clothes of frequently not worse quality than the imported ones. The employment of tissues and furnishing of Western manufacturers enables Russian enterprises to produce competitive and available clothing. But nowadays, according to some analytical estimates, only the segment of expensive sportswear is the arena of tough competition maintained by famous western trademarks such as Adidas, Columbia, Nike, Puma, Reebok, etc. The niche of inexpensive and superior clothing is vacant yet.

In Russia this segment is experiencing an unprecedented surge. It is one of the most dynamic and promising markets in Russia. According to experts' estimates, in 2006 the volume of Russian sports goods market attained almost 2,5 billion dollars, 80% of which fell to the share of sportswear [2]. To make a comparison, in 2006 the global market of sports goods was estimated at the rate of 175 billion dollars, 70 billion of which related to the capacity of the global sportswear market. The remainder was shared among sports shoes, accessories and equipment. According to Rambler Media and ACM Sportima, Russian sports-wear market shows a 30% growth [8].

The World Sports Industry Federation's experts believe that over the next 10 years Russian and Chinese markets will register the rapidest growth in the world - by 300% and 29% correspondingly. According to their prognosis, over the same period the sales are to

increase by 14% in USA, by 19% in EC countries', and by 11% in Japan. An essential share in consumption of sporting goods falls to the developed countries - USA and Europe. The growth of European sports market over the last 3 years is estimated at 5,7%, with the growth of European countries' GDP over the same period [11] being exceeded.

As it has been mentioned above, the market of sporting goods and equipment stands among the most dynamically developing economic branches. The factors providing explanation to the positive dynamics of growth of Russian sports market can be pointed out as follows:

1. A large number of potential customers (above 100 million). For example, Germany which represents the largest sports goods market in Western Europe has a population of slightly more than 80 million.

2. Only 10 % of Russian population goes in for sports more or less regularly. Thus, the capacity of the domestic market is able to increase by 3 times. Here much depends on the popularization of sports and healthy way of life.

3. As regards commerce, European suppliers appreciate Russia as a country of great opportunities. Only 30% of the range of all sporting goods known to the world has secured representation in Russia.

4. Growth of popularity of healthy lifestyle in Russia.

5. "Middle-class" representatives are among the main consumers of sports goods. As it can be judged from the research carried out by All-Russia Public Opinion Research Center, the number of people who identify themselves as "middle class" is increasing. It is worth being said that that social-economic stratification was based not on one's feeling of his/her belonging to a certain category but on the figures of respondents' actual incomes.

6. The vogue for sports style among mass consumers. Recently, the demand for sports goods has widened beyond a narrow circle of active sportsmen. An increasing number of people regard sports as a part of their life. In Europe most part of retailers' revenues is obtained through sales of sporting goods to be used not for their intended purposes but to suit the customers' inclination to get dressed in a sports style (with the sales of "lifestyle" clothing pro-

viding over 50 % of the sports retailers' business).

7. The continuous growth of the number of shopping centers also contributes to the development of sporting goods market. Today, according to Moscow Government's Economic Development Department, there are about one thousand running sports in Moscow.

Today, one can note the following as the main tendencies in terms of development of Russian sports industry market, including the sporting goods market and equipment market:

1. A high speed of market growth due to the increase in consumption of sporting goods;

2. The strengthening of positions of large international sports industry companies. Nowadays, Adidas-Salomon, Nike, Puma do not restrict themselves to via-dealer trading under their own brand names. They open their own distribution centers placing a part of their orders with Russian enterprises. For example, in 2002 "Slavyanka" factory located in Bobruisk produced a batch of sportswear to the amount of 300 thousand dollars by order-request from the Nike company. Moreover, that was not the first contract between Bobruisk machinists and an international corporation. After the crisis in 1998 Adidas, in order to retain its position on the market, switched a part of its orders into being placed with Russian factories (located in Tver, Ivanovo, Podolsk, Ryazan) with appropriate equipment. In 2001 the share of goods manufactured in Russia amounted to 75% of the company's total sales.

3. The development of regional markets. According to the State-conducted statistics, about 47% of Russians live in cities with population of slightly more than 100 thousand. The Marketing Director of "Sportmark" reckons that an "expansion" into regional markets would become a natural continuation of the company's development [3], despite finding many obstacles to such kind of venture (such as demographical crisis, subsidized regions, undeveloped infrastructure, poor climatic conditions in some regions).

4. The manufacture of own label clothing of chain retailers (actually, that does not exist in Russian practice, while own label clothing represent the lion's share of European retailers' sales figures). For example, as early as in 2003 the corporate chain "Sportsmaster" which ac-

ording to its own estimate is in control of 50% of the Russian sporting goods market, expressed an intention to produce clothes under its own brand name. With a view to selling them, the company had planned to set up another retail chain in addition to its already existing 28 Russian shops. The products would have been meant for consumers with monthly earnings of \$150 and over. The clothes did not see the light after all, but on the shop floors of "Sportsmaster" one can still distinguish inexpensive collections of sports shoes and clothes representing own label clothing.

5. The creation of new sports brands with the use of famous sportsmen's names.

The second most important element of sports marketing is sponsorship. From the standpoint of sports business, sponsorship can be described as activities concerned with investing funds (mostly, financial funds) in organizations, with the object of holding sporting events, supporting the development of sports organizations and supporting famous sportsmen.

In Russia this branch of sports business is in the early stages of development, as well as the sports marketing in whole. The idea of sponsorship of sporting events boils down to making sports or their separate elements identifiable with certain trademarks. It has been a long time since marketing experts first spoke of a decline in efficiency of traditional advertising. As a counter to this trend, large advertisers have shown a growing interest in alternative ways of promotion. Sponsorship became one of such ways. Since 1980-s up to now promoting specialists have been getting more and more clear and persuaded that investments in sports, in development of associations between trademarks and sports can bring vast returns. Advertising specialists count on reaping better returns on advertising investments by providing sponsorship to sporting events rather than paying for advertisement clips during TV broadcasts. Marketing specialists aim for creating stable, "long-term" links, sui generis image based on associations of one's favorite sport with a certain product. Instead of impacting consumers with standard advertising tools, "sports marketing" creates associative ties between a product (and, correspondingly, the trademark representing it) and what the customer is fond

of. As a marketing instrument sports have not lost its efficiency. Professional sports widely available for mass watching owing to a diversity of television communications will never outlive its attractiveness to the companies striving to deliver their reports to the demographical groups represented by sports rooters.

In the West the sponsorship of sporting events was introduced into practice as early as in the nineteen thirties. "General Meels" is said to be the first company to invest money into sports. In 1933 it took the sponsorship in broadcasting baseball matches on TV. That event triggered impetuous development of this branch. As a result, at the beginning of the 21-st century, according to Sports Marketing New, only in the United States the amount of sponsorship exceeded 6 billion dollars, sporting events engaging 80 % of all sponsorship actions. To much regret, there are no absolute measures for Russian sports industry. One can rely only on experts' estimates. For example, Dmitriy Chernyshev, Presedent of ACM Sport (Media Art Sports), estimated the extent of sports sponsorship on the 2004 Russian market at 150-200 million dollars [7].

The world practice has consolidated the following sports sponsorship structure:

- ◆ The sponsorship of sporting events of varying levels (for example, sponsorship of Olympics, national football championships, motor racing, boxing-matches)

- ◆ The sponsorship of sports organizations at various levels (such as sponsoring National Olympic Committee, national hockey teams, racing teams or basketball clubs).

- ◆ The sponsorship of individual sportsmen. Such practice is often referred to in individual sports, such as tennis, bike-racing. Motor-racing can serve as a telling example, where large companies specializing in spheres other than motor-racing act as racer's sponsors. Concluding a contract with a pilot, the racing team gets money from a certain concern. For example, the Italian Parmalat used to be the sponsor of several Brazilian pilots, while a telecommunication concern, Telefonica, is the sponsor of the current Formula One racing champion - Fernando Alonso.

Nowadays, the second kind of sponsorship (the sponsorship of sports organizations) has established a relatively big presence in Russian

sports industry. For several years running, at hockey, football or basketball matches one can see sportsmen wearing T-shirts with sponsor's identification marks. Russia's stage of European hockey tournament enjoys the reputation of the most sponsored sporting event. Originally, it was called "the Izvestia hockey prize". Judging from the tournament name, it won't be very difficult to guess who has been the title sponsor of those events.

Nowadays, the Russian sports industry has a number of distinctive features, such as:

1. Poor involvement of players (of both sponsors and sports representatives) in the sponsorship business. The analysis of personnel of the Russian Prime League's football teams leads to the conclusion that only one-third of these teams have sponsors who are really concerned about competition results, and who carry on working with their teams.

2. The absence in today's Russia of distinct approaches in estimating the efficiency of sponsorship investments, together with low supply from sporting events. That accounts for the first distinctive feature described above. Any sporting event requires the gathering of some audience and fans to be subjected to marketing impact by means of sponsor logos, souvenirs, and PR-actions during the sporting event. However, most football and hockey matches are held with stadiums filled only to 15-20% of capacity, which brings criticism on the teams as luring the crowds - the sponsors' target audience - into the stadiums is their business.

3. The shortage of professional staff in sports organizations (both in teams and in the committees responsible for holding sporting events)

4. Some kind of plod to be concerned with seeking sponsors and concluding agreements with them. The difficulty is that there are no cross-impact parameters as exactly defined, set or described for facilitating the professional engagement and interaction between a sponsor and a sports representative. There exist no definitions on sponsorship sums, mutual obligations, cooperation efficiency and so on.

Thus Russian sports industry market being a part of Russian sports marketing displays rather good prospects of growth. This market possesses its own unique features enabling it to be regarded as a self-dependent control object. And

as so, the companies involved can plot their development strategies with target results of their work being visualized provided that they rightly comprehend the functioning principles of sports industry as a whole, and its segments in particular.

1. *Alekseeva A.* Bipolar sports market // "The Expert", economic weekly publication, № 22 (563) 2007. P. 14-18.

2. *Zarubin A.* Sporting goods market is among the "shadiest" and rapid developing ones in Russia. The results of research by ABARUS agency. Market Research // 4P.ru [Electronic resource]: marketing electronic journal. - Elect. data. - M.: 4P, 2006. - Accessed at: <http://www.4p.ru/index.php?page=19120>.

3. *Kamensky A.* Science-based sports // Business analytical weekly publication "Smart Money", № 12 (53) 2007 / P. 7-10.

4. *Kryukov D., Cherkudinova D.* Pursuit race // Journal "The secret of firm", № 31 (214) 2007. P. 18-26.

5. *Michalchyuk P.* The one leading in sports is the one leading in business // "The Expert", econom-

ic weekly publication, № 12 (553) 2007. P 23-26. Russian sporting goods market is close to saturation // Daily business newspaper "The RBK Daily", 04.03.2008.

6. *Noskovich M.* Unathletic youth // Business newspaper "Business & Financial Markets", April, 18, 2005.

7. Sports market estimated at 5 billion dollars // Media Alliance [Electronic resource]: Russian business Web portal. Elect. data. M.: Media Alliance, 2004. Accessed at: <http://www.allmedia.ru/newsitem.asp?id=710098>.

8. Sporting goods market in Russia. Report by ABARUS agency. Market Research // Arabus.ru [Electronic resource]: marketing agency server. - elect. data. - M.: Arabus MR, 2006 - Accessed at: <http://www.abarus.ru/cnt/complete>.

9. *Stepanova O.N.* Marketing in the area of physical culture and sports - 2-nd publication. stereotype - M.: Edition "The Soviet sport", 2008. 256 p.

10. *Shaaf F.* Sporting marketing: Translated from English - M.: Edition "Filin", 1998. 464 p.

11. *Shulakov O.* Climbing Olympus with private ammunition on // "The Expert", economic weekly publication. № 14 (508). 2006. P. 12-18.