

Comparison of the Current Situation of China and the United States Sports Brokerage Industry

Song Shuang^{1, a, *}

¹*China Basketball College, Beijing Sport University, Xinxu Rd, No.48, Beijing, China*
a.songshuang624@163.com

**corresponding author*

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Abstract: By comparing the current status of the development of sports brokerage in China and the United States, this paper displays the common issues, addresses the existed short comes of China's sports brokerage, and gives some advices. This paper mainly compares three aspects, the industry itself, athlete brokers, and relevant commercial events. From the perspective of the industry itself, the Chinese sports brokerage industry has relatively low requirements on the education qualifications of employees, training attaches importance to theory rather than practice, and the qualification certification mechanism is not yet complete. In terms of policies and laws, China has not yet made national unified legislation on sports brokerage. As for the scope of business, the business content only stays on some of the most basic and primitive brokerage forms and does not connect well with other industries. From the perspective of athlete brokerage, the transfer of Chinese players is still government-led and the market is less liquid. The professionalization of athletes under the national system is not complete. Athletes develop their own intangible assets through the brokerage industry, which often conflicts with the interests of the overall economic development of their units. From the perspective of commercial events, the current number of commercial events in China is increasing, and the events involved are more extensive, but the number of events operated through the domestic brokerage industry is still small.

1. Introduction

With the development of China's sports industry, sports reformation has become a popular topic in industry while received less attention in the academia. For better understanding status of Chinese sports brokerage, this paper will discuss the current status, the conventional assessment system, and the future development trend of China's sports brokerage industry.

In 2014, the government issued a document clearly specifying "the significant increase in the proportion of sports services in the sports industry" as the main goal of the future development of the sports industry [1]. For the professionalization of athletes, the sports brokerage industry is one of the key factors. The sports brokerage industry can play a catalytic role in the development of professional sports. The potential commercial value of sports projects depends largely on the activity of sports

intermediaries [2]. There are currently more than 30,000 professional athletes in China, and 7,000 sports brokerage are needed in the next ten years [3]. The interaction between athletes and the market economy is getting closer and closer. It requires sports brokerage to act as brokerage, sign contracts for athletes and clubs, and becomes a communication link between clubs and athletes [4]. It shows that the development of clubs and sports brokerage are also closely related factors.

In the following sections, this paper will compare the development status of sports brokerage industry in China and the United States, summarize the shortcomings of China's sports brokerage industry, and provide references for the subsequent development of the industry.

2. Background

With the establishment of China's market economy system and the deepening of reform and opening up, the sports brokerage industry had initially developed in the early 1990s. From 1990s to the 2000s, many people in this period initially explored the development path of the sports brokerage industry in China by analyzing the sports brokerage industry in the United States. Huang Wenhui [5] took the United States, the earliest sports brokerage industry and a relatively complete system, as the main research object, and analyzed many aspects of the American sports brokerage industry. Liu Jiangnan [6] analyzed the American sports industry from four aspects, including the development history of sports brokerage, the responsibilities and tasks of sports brokerage, the model of sports brokerage, and the problems and standardized management of sports brokerage.

Around the 2008 Beijing Olympics, research on sports brokerage in China had gradually increased. The training system and management issues of the sports brokerage industry have become hot topics of research. Xiao Linpeng et al. [7] put forward the basic concept of constructing a professional training system for sports brokerage in China in light of the current status of vocational training for sports brokerage in China and combining the requirements for the implementation of the national vocational qualification system. Zhu Yanying [8] conducted researches via survey and analyzed the knowledge and capabilities of the sports brokerage industry. She put forward corresponding countermeasures based on the characteristics of China's society, which provided a basis for the country to formulate relevant systems for the sports brokerage industry, improving the training model of the sports brokerage industry, and the quality of the brokerage industry. Jin Yong [9] conducted systematic and in-depth research on theoretical issues, such as the management system of sports brokerage, the operation of various subsystems in the management system, and management goals, methods, and implementation methods. He hoped to provide a reference and theoretical basis for the soundness and perfection of management system and regulations of sports brokerage, the development of sports brokerage and the orderly initiation of sports agent activities.

After 2014, related policies had promoted the continued development of the sports industry. The sports brokerage industry is more standardized and diversified. Zheng Liru [10] compared the development rights of athletes' intangible assets between China and American countries, and explored the issue of Chinese national team athletes' intangible assets development rights. Zhang Chunping [11] researched the personnel needs and training paths of professional managers of large-scale sports events in China. Bai Lili et al. [12] analyzed the different operating characteristics of the sports brokerage industry in China and the United States to further optimize the system of the sports brokerage industry in China.

3. Common Issues in the Industry

Based on the previous studies of the literature, this paper is going to categorize issues related to the sports brokerage industry, as shown in Table 1.

Table 1: Issues related to the sports brokerage industry.

| Dimensions | Related questions | Expressions |
|---------------------|--|---|
| Industry itself | Employment access system | The assess system for employees in the sports brokerage industry includes requirements for education, qualifications and related backgrounds. |
| | Related policies and laws | Number of industry-related policies and regulations and degree of legal soundness. |
| | Business scope | The categories, varieties and service items of commodities that can reflect the content and direction of business activities of the sports brokerage industry. |
| Athlete brokerage | Athlete transfers | Club athlete transfer refers to the behavior and results of athletes from one club to another. It is a common phenomenon in professional sports clubs at present, including domestic transfers and foreign-related transfers. The transfer of athletes is an important sports agent behavior. The development of the sports brokerage industry can be measured by the transfer of athletes. |
| | Development of athletes' intangible assets | Athlete's intangible asset is an asset without physical form that can generate specific benefits and can be directly or indirectly measured in currency. It is generally based on sports skills, specific knowledge and technology, specific names, brands, athletes' personalities, and reputation and social status[13]. The development of athletes' intangible assets is one of the most important business areas of the sports brokerage industry. |
| Sports Event Broker | Operation of commercial events | Commercial events are sports events that are market-oriented and operate for profit [14]. Commercial events are important sports brokerage activities, and its organization can measure the development of the sports brokerage industry. |

According to the description in Table 1, this paper analyzes the problem from the three dimensions, the industry itself, athlete brokers and sports event brokers. The dimension of the industry itself has three problems: the employment access system, related policies and laws, and the scope of business. The employment access system is a basic requirement for the knowledge, technology and abilities necessary to engage in a certain profession. The employment access system can directly reflect the degree of professionalism of industry practitioners, and thus evaluate the current development of the industry. Policies and laws related to the industry promote and restrict the industry. When the relevant laws are not perfect, the industry will develop slowly and irregularly. The soundness of the policies and laws also reflects the current and future development of the industry. The business scope is the object of the business activities of the sports brokerage industry. The diversification of the business scope indicates the improvement of the development of the industry.

The dimension of the athlete brokerage includes two issues: athlete transfer and development of athletes' intangible assets. Athlete transfers are entrusted agency activities formed by professional athletes, clubs, and sports brokers. Athlete transfers are also the most basic sports brokerage activities. Athlete transfers mainly include domestic transfers and foreign-related transfers. The transfer situation can reflect the development level of the sports brokerage industry. The development of intangible assets of athletes is a unique business content of the sports brokerage industry. Although sports brokers are a branch profession of modern brokers, their business objects are very special. Because sports brokers operate not only tangible assets, but more importantly intangible sports assets. The operation of intangible assets has a strong randomness and subjectivity, putting forward higher requirements for the ability of sports agents. The development of intangible assets is also an important criterion for measuring the development of the industry.

The operation of commercial events is a problem under the dimension of sports event brokers. The operation of large-scale commercial events is an important part of the sports industry, which has promoted the contest performance industry and construction of venues, thereby promoting the economic and social development of many cities. The operation of large-scale commercial events is an important part of the sports industry, which has promoted the construction of the sports performance industry and venues, thereby promoting the economic and social development of many cities. The organization and operation of commercial events is one of the main businesses of the sports brokerage industry, and its organization is also a criterion for measuring the capabilities of the sports brokerage industry.

4. Comparison Based on the Dimension of Industry Itself

4.1. Employment Access System

The first dimension is the employment access system. In the US, the human resources certification in sports industry is very strict. There is no relevant sports broker training certification system in US. Applicants who want to become a sports broker need to apply to the Athlete Association, with the requirement of higher education (bachelor's degree or above). However, in China, "sports broker qualification certificate" is issued by the Human Resources Development Center of the General Administration of Sport. Applicants need to participate designated training and pass relevant examinations. There is no strict requirements of higher education to obtain the certificate in China.

Compared with the requirements of American sports brokers, the assess system in China requires lower education qualifications of employees and does not have the requirements of relevant brokering capabilities and legal backgrounds, which enables some people with insufficient capabilities to participate. In addition, regardless of the level of the trainees, the training content remains basically

unchanged. The content of the training course mainly focuses on theoretical knowledge, but lacks the practical content of brokerage operation. Only basketball and football associations have established separate broker registration systems for projects, which is also a reflection of the incomplete qualification certification mechanism.

The loopholes in qualifications have led to the low overall quality of the sports brokerage industry in China, the uneven quality of ideological and professional qualities, the unskilled business, the phenomenon of overcharging commissions and tax evasion. On the one hand, both the athlete and the market are more exclusive to the brokerage industry. On the other hand, it is difficult for the sports brokerage industry to form a brand effect, and long-term low-level operations restrict the optimization and upgrading of the entire sports industry structure.

4.2. Related Policies and Laws

The United States is a federal system. There are two legal systems, federal law and state law. In the federal law system, the United States Congress has passed a "Federal Sports Agent Liability and Trust Act", which aims to regulate the violations of sports agents. In the state law system, The National Conference of Commissioners on Uniform State Laws passed the Uniform Athlete Agents Act, which unifies the inconsistencies in the legislation of athlete brokers in various states and achieves the purpose of unified supervision. In addition to legal supervision, the United States has also adopted a sports organization to supervise the sports brokerage industry. This supervision method mainly exists in professional sports. Each professional sports league has separate rules for the management of athlete brokers, which are used to initially select the best sports brokers.

On October 26, 1995, the Bureau of Industry and Commerce issued the "Agent management approach", which is China's first administrative regulation regulating the activities of brokers. In addition, the "Law of the PRC on Physical Culture and Sports" promulgated by the General Administration of Sports of the People's Republic of China also sets up special provisions for the management of sports intermediary business activities. But at present, China has not made a unified national legislation on sports brokerage. Due to the lack of relevant laws and regulations, the brokerage market is prone to irregular behavior. Some unqualified individuals or companies take advantage of legal loopholes and inadequate management systems to participate in brokerage activities, resulting in a large number of unlicensed operations and arbitrary business activities beyond business scope. Because there is no uniform regulation on commissions, the phenomenon of random commissions abounds. At the same time, the lack of a unified, standardized and complete contract text in the sports brokerage industry is one of the reasons for the market confusion.

4.3. Business Scope

Sports brokerage industry activities generally include: "Athlete brokerages, sports event brokerages, sports organization brokerages and other brokerage activities." American sports brokers are classified into athlete brokers, sports organization brokers and sports event brokers from the nature of customers. The business activities of the American sports brokerage industry start from the earliest negotiation of salary contracts for athletes to the organization and operation of large-scale commercial competitions. The scope of business is getting wider and wider, and the operations are becoming more and more complex, which results in different forms of sports brokers with different characteristics. After completing the layout of the domestic brokerage market in the United States, American sports brokerage companies have explored other areas of high-quality sports resources and have demonstrated significant international characteristics.

With the promotion of relevant national policies, the number of employees in the sports brokerage industry in China continues to rise. However, under the national system, the government still dominates the development of the sports industry, and the sports brokerage industry in China is still dominated by athlete brokerage. In recent years, the brokerage activities of football and basketball in China have become more international, mainly by introducing foreign aid and bringing foreign athletes to China. With the application and hosting of the Olympic and Winter Olympics, the management and operation activities of sports brokerage in China for large-scale sports events are also increasing. However, so far, the behaviors of sports brokers in China have only stagnated on some of the most basic and primitive brokerage activities. Because the sports brokerage industry has not been well connected with other industries, it cannot expand the business scope better, resulting in the slow development of the industry.

5. Comparison Based on the Dimension of Athletic Brokerage

5.1. Athlete Transfers

The transfers of professional athletes are the most primitive and important business contents of the sports brokerage industry. Professional sports clubs in the United States are usually civil organizations rather than government organizations. Taking the National Basketball Association (NBA) as an example, all players in the NBA are managed by the NBA Association, regardless of geographical restrictions. As long as these players meet the requirements of the NBA, they will be able to enter their subordinate clubs. The transfers of NBA athletes are mainly based on the operations of sports brokers. In the 2019-2020 season, the NBA passed 60 draft picks, and the number of player changes reached 226. The transfer of NBA players has a high degree of freedom within a reasonable range. The transfer system itself is in line with the rules of the market economy, which guarantees a balanced return of the alliance, a balance of the strength of the clubs, and a stable expansion of the market of the alliance.

In China, the transfers of athletes are still government-led with low market liquidity. Taking the China Basketball Association (CBA) as an example, the CBA Professional League was formulated from the beginning as a government action. Most athletes are funded and cultivated by the sports schools and sports teams under the Sports Bureau, forming state-owned assets. This method is not convenient for market operation. The transfers of CBA athletes are mainly based on clubs rather than brokers, which has formed a monopoly to a certain extent and has made it difficult for athletes to move. In the 2019-2020 season, there were 38 draft passers and only 17 domestic transfer players. Compared with the NBA league, the talent flow is slow, which is not conducive to the development of the club and league.

5.2. Development of Athletes' Intangible Assets

In the United States, athletes' intangible assets development rights are generally developed by athletes' brokers or brokerage companies. The state only develops professional athletes' collective intangible assets rights in the national team according to the agreement. According to the Forbes list, among the top ten athletes with the highest income in the world in 2019, there are five American athletes (Table 2). Advertising revenue is intangible asset income, and the revenue from intangible asset development accounts for a large proportion of the total income of American athletes. Russell Wilson and Aaron Rodgers belong to the NFL, and LeBron James, Stephen Curry and Kevin Durant belong to the NBA, indicating that some powerful professional brands have formed in the United States.

Under the national system, the regulation of competitive sports development comes from the government rather than the market. Therefore, the professionalization of athletes under the national system is not complete. At the present stage, the right to develop the intangible assets of professional athletes in China belongs to the country, and the right to distribution of income is also under the control of the national sports department. However, due to asymmetric information, athletes develop their own intangible assets through the brokerage industry, which often conflicts with the overall economic interests of the units they belong to. This shows that there are still loopholes in the intangible asset development policy, which brings difficulties to the operation of the sports brokerage industry. Among the top 5 Chinese athletes' income in 2019 (Table 2), there is a large disparity between the income of Chinese athletes and American sports stars. One of the reasons is the lack of intangible assets development. None of these athletes is an independent development model of the market, which makes the brokerage industry less effective and is not conducive to the development of the industry. The top five athletes' projects are scattered, indicating that each professional league in China has not yet formed a strong brand, but it also reflects the huge potential of China's sports market.

Table 2: Top 5 athletes' income in US vs. China.

| Name | Country | Events | Wage Income | Advertisement Income |
|----------------|---------|------------|--------------|----------------------|
| Russell Wilson | US | Football | \$80,500,000 | \$9,000,000 |
| Aaron Rodgers | US | Football | \$80,300,000 | \$9,000,000 |
| LeBron James | US | Basketball | \$36,000,000 | \$53,000,000 |
| Stephen Curry | US | Basketball | \$37,800,000 | \$42,000,000 |
| Kevin Durant | US | Basketball | \$30,400,000 | \$35,000,000 |
| Sun Yang | China | Swimming | \$2,000,000 | \$8,000,000 |
| Zhang Jike | China | ping-pong | \$3,000,000 | \$4,500,000 |
| Feng Shanshan | China | Golf | \$1,800,000 | \$3,200,000 |
| Yi Jianlian | China | Basketball | \$3,200,000 | \$1,380,655 |
| Zhu Ting | China | Volleyball | \$2,800,000 | \$1,094,364 |

6. Comparison Based on the Dimension of Sports Event Broker

Commercial events in the United States are relatively mature, and many events have formed brands. Taking the U.S. Open tennis tournament run by International Management Group (IMG) as an example, this tournament has become the most watched of the four major tennis tournaments in the world. Event marketing integration is also one of the most significant features of the United States Open Tennis Tournament. At present the US Open has 24 sponsors and suppliers, covering various industries. As for the broadcast of the game, the global broadcast cost of the 2018 US Open reached \$ 75 million. By creating a "Golden Event" brand, the US Open promotes event derivatives such as fan equipment and fan souvenirs. It also has unique features in ticket sales, setting different levels of fares and packages, which is a model for commercial event operations.

At present, the number of commercial events in China is increasing day by day. In recent years, emerging events such as volleyball professional leagues and marathon events have appeared. The relevant documents of the State Council have promoted the tremendous development of sports events in China. However, there are fewer branded events so far. Some well-known events are more inclined to cooperate with foreign brokerage companies, and the number of events operated through the domestic brokerage industry is still small.

In the global sports city influence index score of SPORTCAL, the British stadium intelligence research and data service, the most important part is the competition part. However, large-scale events have high requirements on the capabilities of event managers and operators, which is also the direction that China's sports brokerage industry needs to develop in the future.

7. Conclusion

By comparing the sports brokerage industry in China and the United States, there are still many problems in China's sports brokerage industry. However, with the development of China's economy, the sports brokerage industry still has huge development potential. Based on the research and discussion above, the paper will give feasibility opinions from the following three aspects. As for the industry itself, China's sports brokerage industry should establish and improve the industry access system, provide relevant courses in sports colleges and law schools, and improve the overall quality of employees. Relevant departments need to improve the legal supervision system of the industry and speed up the promulgation of unified national regulations on broker management. In terms of the transfer of athletes, the relevant regulations should clarify the ownership of intangible assets of athletes, regulate the circulation of players between clubs, and avoid monopoly. From the perspective of commercial events, organizers must improve the quality of commercial events and build brand events.

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