

Building Sports Industry Cluster Promoting Regional Economic Development-A Case Study of Henan Province

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Abstract: Concentration of regional industry within a region can play a key role in promoting regional economic development. Thanks to its rich sport resources, Henan's sports industry cluster has the features needed to develop this part of the provincial economy. In particular, further development of the sports industry structure in Henan can help rationalize its industrial structure and make it a more integral element of urban development. In constructing the sport industry cluster, special efforts should be devoted to building functional zones for R&D, production of sports and fitness equipment, sports services, and other supporting facilities. In addition, unique local natural resources of the province and impact of large-scale activities should be fully exploited.

[Haichao Gao. **Building Sports Industry Cluster Promoting Regional Economic Development-A Case Study of Henan Province.** *Life Sci J* 2013; 10(1):3160-3164]. (ISSN: 1097-8135). <http://www.lifesciencesite.com>. 395

Key words: sports industry; cluster; regional economy

1. Introduction

Since the implementation of the 11th Five-year plan, Henan Province has made major strides in its economic development. However, despite this progress, the province still confronts salient structural paradoxes in its economy. These include weak agricultural foundation, an expanding but still limited industrial base, backward service sector, and investment-led and resource-based economic growth. In the long run, this economy's heavy reliance on resources and low-end, low-added-value manufactured goods, along with its backward primary and tertiary industries, make the current development path unsustainable. This situation, in turn, calls for strategic readjustment of development planning.

Drawing on the experiences of domestic and foreign economic development, Henan province will gradually change its industrial structure from one dominated by manufacturing to one dominated by services. At the same time, it will integrate and optimize its industries in order to modernize their structure and make that structure conform better to provincial conditions.

2. Industrial clusters and regional economy development relationship

Industrial clusters are a logical outgrowth of the development of manufacturing. Upstream and downstream companies and other economic segments located in close proximity to one another share resources, techniques and information to benefit from both scale economy and external economy. Industrial clusters are an unavoidable stage in the development of specific industries in many countries, and a feature that is shared by those countries that are highly competitive in the world market ^[1].

Economic development theory holds that as socialized production rules out segmentation, large-scale production can generate scale economy and promote economic development. A regional economy's competitive advantage depends on the presence of industrial clusters. These clusters are marked by external economic returns, exchange cost efficiency, mutual learning and innovation, and the beneficial impact of branding and advertising. Concentration of industry can attract investment, make it easier for manufacturers to gain access to new production methods, and reduce transportation and information costs. In addition, such clusters make public facilities more convenient and efficient to use, enhance information exchange, improve product quality and competitiveness, and increase consumer demand ^[2].

Based on the above-mentioned theories and Henan's current industrial development, the provincial government promulgated "Guidelines on Further Promoting the Development of Industry Cluster Regions" on March 10, 2010. They suggested integrating the secondary and tertiary industries and forming industrial clusters or parks through chain development, specialized divisions of labor, and creation of new firms and attain cooperation and synergy among them.

3. Analyzing the conditions for the construction of sports industry cluster in Henan

3.1 Definition and categorization of the sports industry

The sports industry refers to the activities providing sports-related goods, services and everything related to them to the public. A major survey of the state sports industry divides it into 8 major areas. These include fitness and leisure, competitive sports, sports training, intermediary sports services, sporting goods

business, stadium construction, and sports tourism and exhibition. Most of these activities fall into the tertiary industry when fitted into the overall economy; however, a few of them, such as sporting goods manufacturing, are categorized as a secondary industry. Their energy consumption is relatively low, while their tech-content and added-value is high^[3].

While the sports industry accounts for about 2% of the GDP in developed countries, it has just a 0.5% share of China's overall economy. But an expanding sports industry will be more consistent with the changes in the structure of consumption and consumer demand as China continues to grow economically. It will therefore play an increasing role in the overall economy, particularly with respect to transforming the growth pattern and upgrading of the industrial structure. Expanded sports industry will also provide other benefits, notably improving the competitiveness of products in the international market. It is thus likely that the sports industry will become an important future economic growth engine.

3.2 Advantages in constructing a Henan sports industry cluster

Scale economy gathers production and consumption together in specific regions; their basis lies in differences in natural resource distribution and disparities in economic development^[4]. For example, China's textile and manufacturing industries are concentrated in Shanghai, electronic technologies in Beijing's Haidian District around Zhongguancun, and aerospace in Xichang, Sichuan province. This also holds true for developed countries. For example, the U.S. micro-electronic and high tech industry is clustered in the Silicon Valley, automobile manufacturing in Detroit, finance and investment in the Wall Street of New York City, and the entertainment industry in Hollywood. All of these examples indicate that specific industries tend to cluster in regions whose resources and overall economic climate promotes their development into key regional economic pillars.

Construction of a sports industry cluster is based on the following facts:

3.2.1 Historical opportunity: the idea of building an economic zone in Central China becomes a national strategy

In January 2011, the conception of building an economic zone in Central China was officially incorporated into the Plan on National Functional Areas, becoming a national strategy. Its implementation will give rise to a new round of resource reorganization and improvement in the industrial structure in Henan Province. In this context, various cities will further share their resources to complement each other's advantages and gradually form a close economic entity,

all with the aim of creating a new economic growth pole in Central China. This will pose an unprecedented opportunity for concentrated development of the sports industry.

3.2.2 Obvious advantage—rich sports resources

Henan is already home to a significant sports industry. This is reflected in the province's numerous sporting activities, which include both traditional and modern. The former include Zhengzhou International Shaolin Martial Arts Festival and Shaolin martial arts industry, as well as Taiji in Jiaozuo City. The latter include Zhengzhou-Kaifeng International Marathon Race, a professional football team, Henan Jianye, which competes in Chinese Super League, aviation sports industry in Anyang, and the Chinese Basketball Association championship in Jiyuan city. In addition to all of this, Xinxiang City boasts a national sports tourism base. Central China has thus been a prime location for domestic and international sports competitions. Farmers' Basketball Association Championship in western Henan cities and traditional sporting events, like folk dragon dance in Puyang city, are popular leisure activities. In the meantime, new leisure programs are being developed one after another, and on December 9, 2010, the first national rock-climbing park—Wanxianshan Rock-climbing Park in Xinxiang city—was opened to the public. Luoyang and Jiaozuo have rich sport tourism resources with huge untapped markets. The positive impact of sporting event generating tourism in economic development is well recognized.

3.2.3 Policy support: fledgling industry meets with the trend of industrial structure upgrade

On March 24, 2010, "Guidelines on Accelerating the Development of Sports Industry" promulgated by the General Office of the State Council explicitly stipulated, "governments at all levels should strengthen the regional layout of the sports industry's development, and make rational plans based on the competitive advantage and economic and social development realities in different regions to promote the establishment of cluster, demonstration and city development functional areas for the sports industry."

On February 14, 2011, Henan Province issued "Guidelines on Accelerating the Development of Sport Industry," which proposed accelerating the construction of a sports industry base dominated by a high-visibility sports program promoting the establishment of cluster, demonstration and city development functional areas for sports industry.

3.2.4 Solid foundation—good location, commendable economic achievements and relatively sound market system

Location Advantage: situated in Central China, Henan is the core region where east meets west to form a transportation hub, giving the province a distinct logistical advantage.

Huge Domestic demand: with a population of over 100 million, Henan province is one of the mostly densely populated regions in China, giving it ample labor force. Henan ranks fifth in aggregate economic volume around the country and top in central and western China, with sound infrastructure and industry foundation. In 2010, its per capita GDP came close to 3,000 US dollars, and the domestic demand was huge.

Well developed market infrastructure: By December 2010, the province boasted some 16 non-local financial institutions, 3 local banks, 1 foreign bank, 70 securities firms, 45 insurance agencies, and 33 futures trading companies.

4. Economic impacts of sports industry cluster construction

4.1 Construction of Henan sports industry cluster will improve the region's overall competitiveness

A region's economic role and specialization, along with the size of its economy, decisively influences its ability to attract business and investment, expand economic opportunities, and provide comprehensive services^[5].

Building sports industry cluster in Henan will directly benefit the province in a number of ways. Firstly, it will help activate and enhance the use of the considerable existing resources in Henan's sports industry. Secondly, it will stimulate the rapid growth of sports industry service activities, like competitions, shows, fitness, leisure and recreation. Thirdly, sports industry cluster will boost manufacturing and sale of sporting goods in Henan. These impacts, in turn, should generate further indirect positive spinoffs in a wide range of areas, such as commercial trade, exhibitions, tourism, building and construction, and media, including print publications, radio and television, the internet, games, and animations. All of this will further enhance Henan's overall economy, particularly its ability to act as a service provider, and help link together different already existing regional industrial clusters and promote economic growth and development across Central China.

4.2 The construction of a sports industry cluster will enable Henan acquire a greater share of sports resources in Central China, making it an important base for the development of regional sports industry

China currently has six national sports bases. They are located in the Dragon Lake Park, Beijing,

Shenzhen, Guangdong Province, Jinjiang, Fujian Province, Chengdu, Sichuan Province, Fuyang, Zhejiang Province and Leling, Shandong Province. However, none of these now exists in Central China, including the main Yellow River Valley region. With its large cities and dense population, Central China can provide good foundation for the development of a good sports industry base and provide it with a potentially huge consumer market. These advantages should enable the area to become an important incubator for the development of the national sports industry. Thus the competition to control central China's sports industry resources has become increasingly fierce.

Henan Province occupies an important strategic position in Central China and has solid basis for the sports industry. Construction of sport industry cluster will enable Henan to seize the opportunities to compete for domestic sport industry resources, connect with the sport industry bases elsewhere in China better, and spur the development of upstream and downstream industries. These impacts, in turn, will enable Henan to play an important role in China's ongoing effort to shift its industrial base to the less developed western regions.

4.3 Construction of sports industry cluster will significantly upgrade Henan's industrial structure

The latest economic and social development data indicate that over the past three years, Henan's industrial structure has changed significantly. The statistics on social and economic development of Henan province in the past three years show that the proportion of its primary, secondary and tertiary industries changed from 14.5 : 56.9 : 28.6 in 2008, to 14.3 : 56.6 : 29.1 in 2009 and 14.2 : 57.7 : 28.1 in the first half of 2010. As these figures make clear, Henan Province is now in the midst of a critical period during which it must accelerate the transformation of its industrial structure.

Construction of sports industry cluster is one key way of optimizing and rationalizing the industrial structure of an area. It does so in the following four ways. Firstly, it concentrates development and speeds structural adjustment; these impacts, in turn, help upgrade existing industries. Secondly, it accelerates the shift from manufacturing to service-based economy. Thirdly, it increases the share of high-added-value manufacturing in the overall industrial mix, thereby enhancing overall economic competitiveness. Fourthly, it upgrades both the industrial and value chain in a given area^[6].

4.4 Construction of sports industry cluster will enhance understanding of the industry's development pattern, thereby promoting its comprehensive, balanced and sustainable growth, as well as enhancing competitive and leisure sporting activity.

Enhancing the overall quality of life in Chinese society will entail the shift of the focus of physical education toward improving the health of people. This change necessitates further development of the sports industry and government initiatives to construct a diversified sports service system in which the market becomes the main player. Henan sports industry cluster would basically seek to promote economic development within the province's overall sports industry. It will do so by actively introducing the latest methods from both the Chinese domestic and foreign sports industries and stimulate market-based mechanisms and deepen institutional reform. It will also serve as a conduit to channel capital into firms producing sporting goods and providing sports activities and services. Sports cluster would also guide and stimulate consumption of sporting goods and services and, in so doing, stimulate new patterns of industry development, which will promote its balanced, sustainable growth and competitive and popular sports in Henan.

4.5 The construction of a Henan sports industry cluster will help integrate industries into cities and promote harmonious rural and urban development.

With its location on the Yellow River Valley, Henan is one of China's most important grain producing areas. A large share of its labor is therefore still engaged in farming, while industry is thinly distributed across the province, giving Henan weak foundation for economic development and large urban-rural economic gap. Industrial clusters promote urbanization, which is vital to economic growth, as cities are incubators for innovative ideas and new economic activities. Thus sports industry cluster will greatly improve Henan's overall economic structure, transform its economic growth pattern to more efficient resources exploitation and balance rural and urban development.

The planning for Henan sports industry cluster is based on the existing economy and its development in the province. It will take full advantage of the province's present industrial base and tightly integrate its sports industry with other industries. This will help improve the environment and supporting services for other industrial clusters, as well adjust, improve and expand the overall regional industrial chain in the province. Construction and development of regional industrial clusters will lead to the establishment of manufacturing bases, complementing

the leading industries in various cities, concentrate industries and population in urban areas, and provide more job opportunities to boost the living standards of rural residents. This will create greater socio-economic balance and harmony between farming communities and towns and cities.

5. Potential problems in constructing Henan sports industry cluster

5.1 Arousing governmental participation and enthusiasm

The core activity in building sports industry cluster is to integrate all of a region's available resources and coordinating the development and layout of its sports industry. Since doing this requires planning and tourism department involvement, governmental initiative and action is a necessary part of the overall process.

5.2 Making full use of Henan's rich natural resource

We should make full use of Henan's unique natural resources and ensure that development of the sports industry is conformable with them. The project should also aim to expand the value chain of the sports industry and build brands within it by making the best use of local resources. This will provide Henan with sports industry that embodies its distinctive provincial characteristics, enabling it to share resources with its counterparts in neighboring provinces so they will build upon their strengths and drive economic and social progress across the entire Central China region.

5.3 Promoting the interactive development of the sports industry and related industries through the best use of major sports activities

Organization of major sports activities depends on massive infrastructure construction and extensive publicity to attract attention. We should make full use of the resources and opportunities in these activities to gain influence, maximizing its effect. In the meantime, we should take full advantage of the sports industry's overall stimulus impact by stressing sports tourism and exhibitions to promote synergy between these activities and related industries. The latter include not only tourism, but creative activities, especially in the media, as well.

6. Planning Henan sports industry cluster

The effects of this cluster should influence economic growth in the province in three ways. Firstly, it will serve as a new economic growth point by creating new products cluster. Secondly, it will also act as economic growth pole through industry cluster. And thirdly it will also promote economic growth through its impact in creating regional industrial clusters. Henan's current pattern of economic development and

existing industrial calls for the following functional areas to be incorporated into its sports industry cluster:

6.1 Functional area for R & D and production of sporting goods and equipment

In building the functional area, focus should be put on R & D and the production of sporting goods and equipment. Such activity should go with commercial services, including areas where customers can try out sports equipment, technological breakthroughs, logistics, certification, and exhibitions at trade shows and fairs.

6.2 Core functional area of sports service

The development of the sports service industry has been an important yardstick for measuring regional economic and cultural development. Currently sports related services account for 50-60% of the value of the gross output of the overall sports industry in developed countries like the United States, Japan, Australia, and Britain. The core functional areas of sports service sector should include the following five areas: fitness and leisure, competition and shows, conferences and exhibitions, culture and entertainment, and logistics.

6.3 Supporting functional area for sport industry

The Industry Park's facilities generally include basic supporting facilities for both companies and the

general public. The arrangement and construction of the supporting facilities not only form the basis for the development of Industry Park, but are crucial for attracting new investment to it. The supporting functional area for a sport industry cluster should include centers for the trading of sporting goods, sports R & D and incubation, as well as information and exchange.

7. References

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3/5/2013