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**Sports Retailing in India:
Opportunities, Constraints and Way Forward**

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Foreword

Retail is one of the fastest growing sectors in India. However, this sector is highly regulated and is one of the few in which restrictions on foreign direct investment still exist. ICRIER has conducted a series of studies on India's retail sector, focusing on the reforms required to modernise the sector. This paper is in continuation of this strand of ICRIER's research.

The paper highlights the positive impact of the growth in sports retailing on the expansion of manufacturing capacities in the sector. The paper argues in favour of a holistic policy approach to develop the sports sector in India. Based on a primary survey, it recommends various reform measures, which will not only benefit the sports retail sector, but also its manufacturing. The paper points out that rather than restrict foreign direct investment in retail, the country should come up with appropriate regulations that will allow the retail sector to be modernised without having an adverse impact on the self-organised sector. Such a win-win policy is both possible and feasible.



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Abstract

Sports retail is a small but fast growing segment of modern retail in India. Recently, the country has been hosting many international sports and this has given a boost to this sector. Many foreign and domestic corporate retailers have entered sports retail. Sports goods manufacturing is a focus area in the Foreign Trade Policy (2009-2014) and the government is taking a fresh look at the current foreign direct investment policy in retail.

In the above context, this paper provides an overview of the sports retail sector in India. Specifically, it presents the different retail formats, consumer profile, retailers' supply chain and sourcing. It also examines the retail and sports policies and their implications for this segment of retail, analyses the barriers faced by this sector and suggests policy reforms.

The study found that the policy of allowing 51 per cent FDI in the single-brand format has not benefited this sector. The FDI ban on multi-brand retail is not an entry barrier since foreign retailers can establish their presence in India through other routes. The study found that since this is a niche segment of retail, FDI would not have an adverse impact on traditional retailers. It concludes that government should allow 51 per cent FDI in multi-brand sports retail. This will increase sourcing from India, lead to diffusion of technology, proliferation of brands, investment in sports and sports promotion, among others.

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We are indebted to many people in the retail and sports sector for their valuable inputs. Discussions with various ministries/departments such as Department of Sports, Ministry of Consumer Affairs, Ministry of Textile and Department of Industrial Policy and Promotion improved our understanding of policy issues. Meetings with autonomous bodies and sports federations such as the Sports Authority of India (SAI), the Commonwealth Games Organising Committee in India and All India Tennis Federation enriched our understanding of the sector and the government's position therein. Interactions with export and manufacturing councils such as the Sports Goods Export Promotion Council (SGEPC), Apparel Export Promotion Council (AEPC) and Council for Leather Exports (CLE) and associations like Importers Association of India and ASSOSPORT (Italy) provided valuable inputs. An earlier version of this paper was presented at an ICRIER seminar. We are grateful to the seminar participants for their inputs.

Interviews with companies like Reebok India Company, Puma Sports India Pvt. Ltd, Nike India Pvt. Ltd, Sports Lifestyle Pvt. Ltd, Shiv Naresh Sports Pvt. Ltd., Lotto Sports Italia S.p.A, BasicNet S.p.A, Pilatech srl and Arena Italia S.p.A., provided useful insights on sports goods production, distribution, sourcing, retail, branding, promotion and sponsorship.

The report is based on a nation-wide survey of 371 respondents. The authors are grateful to Prasad Chakraborty and his team (SRG Consultancy Marketing Planning Services) for carrying out the survey and to the survey respondents for their time and valuable inputs. Seminars for the presentation of the draft reports on "Business of Sports in India" and "India-Italy Trade Relations: Retail Sector in India" were held in Treviso, Italy, and ICRIER, New Delhi, respectively. The authors are grateful to the seminar participants for their comments.

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Abbreviations

AEPC	Apparel Export Promotion Council
AICF	All India Chess Federation
AICS	All India Council of Sports
AIS	Australian Institute of Sports
AITA	All India Tennis Association)
ASC	Australian Sports Commission
B2B	Business-to-business
BCCI	Board of Control for Cricket in India
BPO	Business Processing Outsourcing
CBSE	Central Board of Secondary Education
CCE	Continuous and Comprehensive Evaluation
CECA	Comprehensive Economic Cooperation Agreement
CEPA	Comprehensive Economic Partnership Agreement
CLE	Council for Leather Exports
DGFT	Directorate General of Foreign Trade
DIPP	Department of Industrial Promotion and Policy
EPCG	Export Promotion Capital Goods
EU	European Union
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act
FIFA	International Federation of Association Football
FIPB	Foreign Investment Promotion Board
FTAs	Foreign Trade Agreements
GATS	General Agreement on Trade in Services
GDP	Gross Domestic Product
GST	Goods and Services Tax
ICC	International Cricket Council
ICRIER	Indian Council for Research on International Economic Relations
IOA	Indian Olympic Association
IOC	International Olympic Committee

IPL	Indian Premier League
IT	Information Technology
MBO	Multi-brand Outlet
MoU	Memorandum of Understanding
MSSA	Mumbai School Sports Association
NCR	National Capital Region
NIFT	National Institute of Fashion Technology
PPP	Public-private Partnership
RBI	Reserve Bank of India
SAI	Sports Authority of India
SEZ	Special Economic Zones
SGEPC	Sports Goods Export Promotion Council
SMEs	Small and Medium Enterprises
UEFA	Union of European Football Associations
UK	United Kingdom
UNCPC	United Nations Provisional Central Product Classification
UNCTAD	United Nations Conference on Trade and Development
US	United States
WTO	World Trade Organisation

Introduction

There is no formal definition of sports. It can be a game, a fitness activity or an organised competitive sport. Competitive sports are governed by a set of rules often designed by national or international sports organisations. Sports can also be a recreational activity. The same sport can be played as a competitive sport or a fitness activity (for instance, swimming or cycling). Different people treat sports differently. For some, it is a profession, while for most it is just a means of recreation and staying fit. Sports can be an indoor activity or an outdoor activity. It can be a team activity (for example, cricket and hockey) or an individual activity (for example, squash). While most sports are associated with some form of physical activity, there are some sports, like chess, which do not need strenuous physical activity. Globally, there are a large number of sports, and each can be played in multiple formats. For example, volleyball can be played on court, grass, or beach. Similarly, cricket can be played in the one-day, test match and twenty-over formats. Some sports have received international recognition while others can be country specific, regional and even local, played by a limited number of people. The recognition of sports, its classification and formats may vary across countries.

All sports require some kind of infrastructure, but the requirements vary across different sports. For example, team sports like football, cricket and hockey require stadiums while chess can be played in a room with a chessboard. Similarly, all sports require some sports product. For instance, a person can stay fit by running for which he needs a running shoe or by skipping for which there is a requirement of skipping rope. Sports like cricket, hockey and tennis require equipment like bat, balls, kneepads, specialised shoes and racquets. Some sports like shooting and motor racing require sophisticated infrastructure and technology-oriented, expensive equipment while equipment for sports like cricket, badminton and tennis are available at all price ranges and are easier to purchase and store. Overtime, across all sports, equipment has become more sophisticated. For instance, lightweight metal sticks have now replaced the wooden hockey sticks. In the past, many sports equipment/goods were unbranded, but with increased sophistication and research and development, branding and specialised equipment manufacturers have emerged. Proliferation of brands and specialisation in manufacturing has led to the growth of sports product retailing.

Sports retail is a niche segment of retail. It generally refers to retail sale of sports goods/equipment, apparel, shoes and accessories (such as sunglasses, watches, headband etc.).¹ Sports retailers can be multi-brand retailers or single-brand retailers, they can sell products for a specific sport or cater to multiple sports. For instance, Reebok sells products for a number of sports including football, rugby and tennis while Nordica (Italy) specialise in footwear, equipment and accessories (jackets, gloves, etc.) for a single sport – skiing. They can cater to niche consumers (like in the case of racing

¹ Retail of sports products refers to retail sale of equipment, apparel, shoes and accessories.

cars) or a large number of consumers (as is the case for a tennis racquet). The consumers of sports products can be bulk consumers like government, federations, schools, and academies and individual consumers. Sports products can also be used as a casual wear or a lifestyle product (for instance, a Reebok t-shirt). Sports retailers generally decide how they would position their products. For instance, the German company Puma AG Rudolf Dassler Sport (brand Puma) has positioned itself as a sports and lifestyle company that specialises in footwear, apparel and equipment for a number of sports including athletics, football, golf, sailing and motor sports.

Government policies, federations, sourcing by large buyers such as clubs and academies, and individual consumer drives the retail market for sports in any country. The retail market is also influenced by the level of sports participation, passion for a specific sport, availability of infrastructure, the country's topography and climate. In many countries, government closely monitors the sports sector and play a key role in its development. This is because the development of the sports sector is closely linked to the economic development of the country, improvement in public health and human capital formation. It helps to bring different communities together and reduce regional disparities. It also enables a country to maintain international peace and promotes cordial international relations through international sports events.² It can have a long-lasting positive impact on development of poor countries through various linkages like the growth of the tourism sector.

Government policy can lead to increase in sports participation, awareness, and availability of infrastructure and training facilities. In countries like China, Australia and India, the government is responsible for developing sports infrastructure. In China and Australia, the sports sector got a boost due to conducive government policies. For instance, in China, the government adopted "Physical Health Law of the People's Republic of China" in 1995, which aimed to build a sports and health-building service system for the general public. Prior to the 1990s, the sports sector in China was completely government funded but it has now been corporatised. This has helped to professionalise sports and improve the sports environment in China. In Australia, the government's focus on sports development was driven by Australia's poor performance in the 1976 Montreal Olympic Games. The government adopted a policy of '*Using sport to build healthy and active communities*' and commissioned various studies. Despite political resistance, a governing body called the Australian Institute of Sports (AIS) was established in 1981 for focused infrastructure development to facilitate the development and training of Australian sportspersons. In 1989, the government decided to form the Australian Sports Commission (ASC) and merge it with the AIS to ensure holistic development. The ASC is one of the most active global institutions in promoting sports at the grassroots level and in training and development of sportspersons.

² There is a significant amount of literature on sports and its linkages with tourism, peace, etc. For instance, for the role of sports in peace and development, see Schwery, R. (2003); for the role of sports in tourism, see Ritchie W. Brent and Daryl Adair (2004). Also see UNOSDP (2007).

Most countries have sports associations or federations that are responsible for promoting and developing different sports. These federations work closely with the government to develop infrastructure, administration, training facilities, management and participation of sportspersons in international events. They are also responsible for procuring equipment. At the global level, there are international federations for different sports that not only set the standards and rules of the game but also have specific criteria for recognising sports equipment. Federations of different countries work closely with their respective international federations.

With the privatisation and commercialisation of sports, sports clubs, academies, teams, etc. are now owned by the private sector. They play a key role in the promotion, training and marketing of sports. They also contribute to the development of sports infrastructure, and play a crucial role in selecting sports equipment.

Peoples' passion for sports, their level of participation and their willingness to pay for sports products influences the sports retail market. In each country, certain sports dominate. These sports have huge fan followings and this drives the market for sports products and accessories. For instance, in India, cricket is the most popular sport; in the United States (US), it is American football, basketball and baseball; in Canada, it is ice hockey; in Germany, it is soccer; and in Italy, it is football and water polo. The retail of sports products is closely related to the status and promotion of sports in a particular country. Not all sports receive the same level of viewership or advertisement revenue. For instance, in India, cricket receives high advertisement revenue compared to sports like swimming.

The availability of sports infrastructure affects participation. If indoor and heated swimming pools are not available, swimming becomes a seasonal activity. The topography of a country also influences sports participation. For instance, in Switzerland and northern Italy, people participate in skiing while in southern Italy, water sports are common.

A sports company (whether a retailer, brand or manufacturer) exploring the global market, therefore, needs to know its market, and re-orient its products and strategies and customise its products to meet consumer preferences. For instance, brands like Reebok and Nike have modified their global strategy; in India, they sponsor cricket and retail cricket equipment, clothing and accessories. They also have to work closely with the government and federations for equipment/goods procurement, event sponsorship, etc. They liaise with international federations to get their products/brands recognised and for global reach. Within a country, they co-ordinate with national federations (who follow international norms) to get their products/brands approved. They also work closely with individual sportspersons and private sports clubs and associations to popularise and market their products. Further, the consumer base of sports retailers is specialised because they are generally the younger population. Hence, sports retailers may have to work with consumers through schools, colleges, etc.

This paper provides an overview of the sport retail sector in India, highlighting the opportunities and constraints for sports retailers. Sports retail is not a new sector in India but its formats have changed with the development of modern/corporate retail in India. Many large Indian corporates and foreign brands have entered into this niche segment of retail. The Indian government is exploring the possibilities of allowing FDI (foreign direct investment) in multi-brand retail in sports. India is hosting a series of international sporting events, which are likely to boost the retail market. Many foreign retailers have shown interest in entering the Indian market. This paper analyses the sports retail sector in India against this backdrop.

The structure of the paper is as follows. Section 1 provides an overview of the global sports sector, focusing on the growing retail markets. Section 2 presents an overview of the sports retail sector in India focusing on recent trends and developments. Section 3 describes the role of government and federations and analyses government policies relating to development of sports and retail. It also discusses the government policy related to sports product manufacturing since this influences a retailer's sourcing decisions. India's international policies relating to sports and sports product retail and its implications are also analysed. Section 4 discusses government procurement, procurement by federation and purchases by clubs, school, academies etc., that constitute the bulk of purchase of sports products. Section 5 examines the status of different sports in India. Section 6 provides the survey analysis of the sports retail sector in India, focusing on differences between traditional and modern retailers, how they work with manufacturers, the distribution chain and the consumers. Section 7 discusses the constraints faced by retailers and Section 8 suggests policy reforms, which will enable the sector to grow, enhance productivity and efficiency and, in turn, benefit the economy as a whole. Section 9 discusses what retailers should do to improve their productivity and global competitiveness. Section 10 draws the main conclusions.

1. Global Sports Sector

This section discusses the contribution of sports to gross domestic product (GDP), employment and its linkages to other sectors of the economy. It also presents the size and growth of the global sports product market and highlights the changes that have taken place after the global slowdown.

There are few official studies on the global sports sector and it is difficult to estimate the size of the industry, its contribution to GDP and employment. Moreover, available statistics are outdated, which makes it difficult to analyse recent developments in the sports sector. Most research in this segment is based on tracking consumer profiles and discussions with industry experts.

In most countries, the contribution of the sports sector to the GDP is small and usually less than five per cent of the GDP. In 2005, the sports industry contributed about 3.7

per cent of GDP in the European Union (EU), but in the United Kingdom (UK), it was only two per cent, which shows the variations within EU member states.³ In the US, it contributed around 3.35 per cent; in Japan, the contribution was around 3.89 per cent and in Korea, it was 2.3 per cent in 2000.⁴ In developing countries such as China and in developed countries such as Canada, it accounted for only 1 per cent of the GDP.⁵

The sports sector is labour-intensive and contributes significantly to employment – both direct and indirect. For instance, in the EU in 2005, about 15 million people were employed in the sports industry, representing over five per cent of the EU labour market.⁶ In 2005, the sports industry employed two per cent of the UK workforce (around 576,000 people).⁷ Although it is a large employer, a bulk of the employment in the sports sector is seasonal, part-time or voluntary. The retail sector in most countries is also a large employer. It contributes to over 11 per cent of employment in the US and around six per cent in India. In the US, in 2008, about 50,200 and 244,600 respectively were working in the wholesale trade and retail stores of sports goods.⁸ In Hong Kong, sports-related activities directly employed approximately 61,300 persons (1.9 per cent of total employment) in 2000.⁹ Retail also contributes significantly to part-time employment.

Although the size of the sports industry *per se* or its contribution to GDP may not be large, the sector has strong linkages with other sectors and has multiplier effects on the development of these sectors. The linkages between sports and the tourism industry are well known. Tourism in Switzerland has been helped by the fact that it is an important skiing destination and developing countries are trying to promote their tourism sector¹⁰ through sports; for instance, Malaysia is being developed as a golfing destination. In the audiovisual sector, a major portion of revenue comes from the sports sector through dedicated sports channels and sports magazines that advertise and promote sports goods. The sports industry is also linked to the fashion industry; Reebok has a line of shoes designed by the designer Rolland Berry (US) and Adidas has a range of shoes for women designed by the English fashion designer, Stella McCartney. The sports industry is also linked to the food and beverages industry; the football club Manchester United has tied up with restaurant chains and opened cafés, where they showcase football matches and retail Manchester United merchandise.

The development of sports affects the economy in other ways as well. It can lead to infrastructure development. For the 2008 Olympics in Beijing, a total of 280 billion

³Transparency International (2009) and <http://www.keablog.com/2008/03/towards-a-europ.html?cid=6a00d8341c034a53ef012875ddb040970c>

⁴'The Development of Asian Sport Industry', Philip Cheng, National Taiwan Normal University, Taipei, Taiwan.

⁵Nana, Ganesh, Kel Sanderson and Mark Goodchild (2002)

⁶Transparency International (2009)

⁷<http://www.sportactiveness.co.uk/regions/yorkshirehumber/sportfitness.ashx>

⁸<http://www.plunkettresearch.com/Industries/Sports/SportsTrends/tabid/274/Default.aspx>

⁹Nana, Ganesh, Kel Sanderson and Mark Goodchild (2002)

¹⁰Ritchie W Brent and Daryl Adair (2004)

Yuan (\$40.9 billion) was spent between 2001 and 2007 on infrastructure projects¹¹ including transport, water supply, environment and energy. At the national level, sports and physical education contribute to economic and social growth, improves public health and bring different communities together. At the global level, it helps to maintain international peace and promotes cordial international relations through international sporting events.¹²

The global demand for sports goods is driven by sports apparel, which constitutes around 50 per cent of the total demand. The remaining consists of footwear and equipment. According to the Sports Goods Export Promotion Council of India (SGEPC), the size of the global sports market increased from \$267 billion in 2006 to \$278.4 billion in 2007, growing at the rate of four per cent (Table 1.1). According to another study,¹³ worldwide sales of sports equipment, apparel and footwear was \$284 billion in 2008. While the numbers vary, most studies show that the industry was growing at the rate of four per cent before the recent global slowdown. The largest market for sports products is the US, which accounts for around one-third of the global market. However, the fastest growing markets are the Middle East and Africa. Asian countries have a higher growth rate than the global average (Table 1.1).

Table 1.1: Growth Rate of Global Sports Industry in 2007

(in per cent)

	Total sports	Sports footwear	Sports apparel	Sports-related equipment
World	4	5	4	2
Americas	4	3	4	3
Europe	1	4	1	0
Middle East and Africa	14	15	15	12
Asia	6	8	7	3

Source: SGEPC (2008).

Although Asian countries like China and India have a large population base, the sports market in Asia is currently less than 25 per cent. The per capita consumption of sports goods in developing countries is low for three reasons: first, the per capita purchasing power is lower than that in developed countries; second, sports is treated as a luxury commodity; and, third, the government's priority is to provide basic necessities, such as infrastructure, water and sanitation, healthcare and education rather to develop sports.

The world's major exporters of sports equipment, apparel, shoes and accessories are China, Hong Kong, France, Italy, Germany and the US, and the major importers are the US, Japan, Germany, France, the UK, Italy, Canada and Hong Kong.¹⁴ Developing

¹¹ <http://en.rian.ru/sports/20080804/115653567.html>

¹² Schwery R. (2003).

¹³ http://www.npd.com/press/releases/press_090701.html

¹⁴ Andreff and Andreff (2007).

countries like India and China have now become important production hubs for companies from developed countries.

Like other industries, the sports industry has been affected by the global slowdown. As shown in Table 1.2, developed countries like the US and the European countries experienced a negative growth rate. In contrast, developing countries like India and China experienced a positive growth rate for several reasons. First, both countries have been organising major sports events since 2008 (the Beijing Olympics, 2008 in China; Commonwealth Youth Games, 2008, Commonwealth Games, 2010 and Men’s Hockey World Cup, 2010 in India). Second, both countries have unsaturated domestic markets, a growing middle class and a young population and have seen an increase in per capita income which has increased purchasing power. With growing health and fitness awareness in developing countries, the market for fitness-related sports, such as running, walking, swimming and cycling has increased, leading to higher demand for sports apparel and shoes.

Table 1.2: Growth Rate of Global Sports Industry in 2008

(in per cent)

	Total sports	Sports footwear	Sports apparel	Sports equipment
World	0	0	-1	0
Americas	-1	-3	0	-3
Europe	-1	0	-4	1
Middle East and Africa	7	8	6	6
Asia	4	4	1	4

Source: http://www.npd.com/press/releases/press_090701.html

Developed country markets are large but they are getting saturated, while developing country markets are small but growing. This has attracted sports retailers from developed countries to the growing markets of India and China; they not only source products from these countries but are also trying to enter and establish a presence in the domestic market. In fact, due to pressure from foreign retailers, the Indian government announced partial FDI liberalisation in 2006 and after its accession to the World Trade Organisation (WTO), China relaxed its FDI policy.

However, the global slowdown has changed the situation. While some companies have slowed their expansion plans in new markets due to lower domestic demand and the credit crunch, other companies are looking at expanding their presence in developing countries to mitigate risk. Retailers and department stores are choosing private labels¹⁵ (which are cheaper than other branded products), and manufacturers and retailers are

¹⁵ Private labels are retailers’ own brands.

trying to tap neglected consumer segments like women. The sector is witnessing consolidation through mergers and acquisitions and the concept of branding and corporate sponsorship is increasing. Technology has made it possible to deliver sports news/events etc. through various platforms (mobile phones, television, the internet, etc.). Sports retail in India has to be studied against this backdrop.

2. Overview of the Sports Retail Sector in India

With the high growth of the domestic market¹⁶ in India and recession in major sports markets such as the US and EU, global retailers and Indian manufacturers are focusing on the Indian market. Indian corporates who have ventured into retail in recent years have also diversified into sports retail. This section discusses the changes in the Indian market and the factors contributing to these changes.

Sports retail is a niche retail segment in India and at present, the sports retail market is small. There are no official estimates of the total retail market and estimates given by different consultancy organisations vary. According to one estimate, the total size of the Indian retail market was \$372 billion in 2008, of which sports retail was around three per cent. However, its share in organised retail was around 10 per cent.¹⁷ Estimates of the sports goods/equipment manufacturing industry is available from SGEPC, which shows that the industry has been growing at an average annual rate of around 10-12 per cent in the past five years. Over the years, India has developed as a sourcing hub for sports goods and the focus of the manufacturing sector has been on exports.

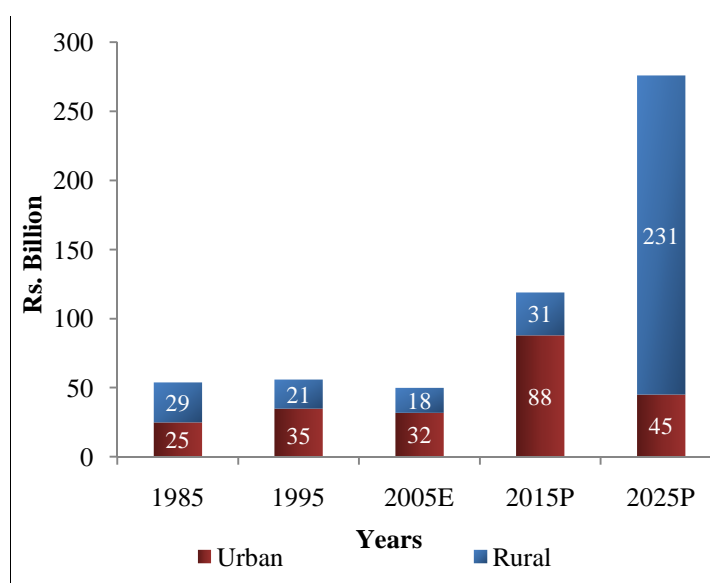
The size of the domestic market is small because Indian society is education-oriented and sports are treated as a distraction from education. Sports are still not treated as a means of livelihood; instead, it is still considered a source of entertainment. This has led to low sports participation levels. There are other barriers such as the non-availability of infrastructure and the inability to pay for facilities and buy sports products.

However, of late, Indians are spending more on sports goods. Although sports are still treated as a recreational activity, recreational consumption in India is growing. It is projected to grow at the rate of 8.9 per cent per annum from \$1 billion in 2005 to \$6 billion in 2025 (Figure 2.1). With an increase in incomes, there has been a decline in the consumption of food and basic necessities, and, if India continues with its high growth rate, recreational spending will grow.

¹⁶ India has one of the fastest GDP growth rates in the world. According to Economic Survey of India (2009-10), GDP growth was 7.2 per cent in 2009-10; the economy is likely to grow at the rate of 8.5 per cent in 2010-11 and reach a growth rate of 9 per cent by 2011-12.

¹⁷ "Update: India Consumer & Retail", Technopak, February 2009.

Figure 2.1: Annual Spending on Recreational Products and Services



*Source: Extracted from McKinsey (2007), Exhibit A. 26, p. 154.
Note: E – Estimated; P - Projected*

The growing awareness of the urban middle and high-income population about fitness has indirectly boosted this sector. With the increase in levels of education, international travel and exposure through cable television, the internet, etc., Indian consumers are becoming more health-conscious as is evident from the growing number of health clubs, gymnasiums and fitness centres. With global integration, the culture of the workplace is changing; many Information Technology (IT) and multinational companies have in-house gymnasiums or sponsor their employees for fitness activities like gymnasiums, golf, and yoga. Further, India is hosting a series of international sports events, which is likely to boost the industry and increase sports awareness. In addition to this, sports promotion, training and infrastructure and exports of sports goods are now focus areas for the Indian government.

There are other factors that have contributed to the growth of sports retail. Prior to the liberalisation of the 1990s, the main support for Indian sports used to come from public sector organisations such as the Ministry of Railways, Air India and Indian Airlines, and the Indian Defence Services, especially after Indian industries were nationalised in the 1960s. There were only a few private sponsors like the Tata Group. These organisations reserved jobs for sportspersons and provided training and other facilities. Post-liberalisation, private sector participation in sports promotion, training and infrastructure has increased. The entry of the private sector has led to the commercialisation of sports. Federations such as the Board of Control for Cricket in India (BCCI) have been working closely with the private sector for team ownership, team and event sponsorship, etc. Private participation has increased the retail market for sports. For instance, private team owners of the Indian Premier League (IPL) in cricket have contracted the team apparel to brands like Reebok, Nike, Adidas and Puma. This has increased retail sales.

A large number of sports are now being played in India and this has increased retail opportunities. In the past, royalty and wealthy Indians played sports like golf and cricket, but the involvement of the general public in these sports was limited. At present, cricket is a common man's game and a large number of people working in the corporate sector play golf. This has increased the market for sports retail in these segments.

India is among the largest sports goods manufacturers in Asia after countries like China and Japan. Although its share in global trade is only around one per cent, it is a niche player in manufacturing. For instance, inflated balls produced in India are largely hand-stitched and, therefore, have better bounce than the machine-stitched balls from China; this gives them an advantage over China in European markets where hand-stitched balls are preferred.

The country has a comparative advantage in low-cost, skilled manpower vis-à-vis developed countries like the US and Italy, which enables it to produce sports goods of international standards at a lower cost. Global brands such as Reebok, Adidas, Puma, Wilson and Yonex are sourcing their products from India. Retailers entering the sports segment can source many products from the domestic market.

The Indian retail sector is undergoing liberalisation and the sports retail sector has been a part of this change. The retail formats in sports have changed in the post-1991 period. Earlier, sports equipment and toys were sold through family-owned, single-shop outlets, sports apparel was sold by apparel retailers and shoes by footwear retailers. Hardly any outlets provided sports apparel, shoes, equipment and accessories under one roof. After 1995, the retail industry in India underwent massive changes, moving from family-owned, one-shop businesses to corporate retail. This has affected sports retail. A large number of Indian corporates such as the Future Group and Reliance Retail Limited have entered sports retail and some family-owned businesses have grown from a single shop to multiple outlets.

With the growth of modern retail, foreign brands have entered the Indian market. The proliferation of brands has increased brand-consciousness and Indian consumers are now more inclined to buy branded products. This has given further impetus to modern stores. Although FDI is not allowed in multi brand retailing, foreign players have entered the market through different routes such as wholesale cash-and-carry, local manufacturing, test marketing, single-brand retail and franchising. A number of foreign brands can be seen in India in exclusive branded outlets, department stores, multi-brand sports outlets and factory outlets among others.

There are a number of studies on the retail sector in India,¹⁸ but they do not specifically examine sports retail. Moreover, there are only a few studies on the sports sector in

¹⁸ These include studies like Mukherjee, A. and N. Patel (2005), Joseph, M. and N. Soundararajan (2009), Images (2009), and studies conducted by organisations like Technopak (2009), AT Kearney etc.

India.¹⁹ It is also extremely difficult to get secondary data on this sector. Many sports retailers club their products with gifts, toys and entertainment, which make it difficult to estimate the size of the market. Others tend to club sports products with lifestyle products or casual wear.

To understand the sports market in India and sports retail in particular, a primary survey was conducted by the Indian Council for Research on International Economic Relations (ICRIER). It covered consumers, retailers, wholesalers, manufacturers, distributors, exporters, importers, foreign brands, industry experts, Indian corporates, industry associations, export and import associations and federations and the government (centre, state and local). In addition, ten in-depth interviews were conducted for a deeper understanding of the sector and current issues. The survey focused on different aspects of retail. More precisely, it covered the government policies affecting this sector, large buyers (government, federations, etc.), retail formats, consumer behaviour, retailer's sourcing, growth potential and the constraints that retailers' face among others.

The survey was based on semi-structured questionnaires and was conducted in 11 cities, namely Delhi, Mumbai, Kolkata, Chennai, Pune, Bangalore, Hyderabad, Bhubaneswar, Agra, Meerut and Surat. Separate questionnaires were designed for consumers, large/corporate retailers, manufacturers, wholesale/distributors/exporters, importers, federations, government, etc. to get different perspectives on the sector. The sampling framework is given in Table 2.1. Information was collected through repeated on-site visits and each interview lasted for around an hour.

Table 2.1: Sampling Frame

Type	Number
Consumers	200
Large retailers	25
Small retailers	33
Manufacturers	35
Distributors/Wholesalers	22
Importers	5
Government (different ministries, customs and state governments)	9
Federations	8
Associations (industry, export, import)	20
Logistics and other supply chain companies	4
In-depth interviews (including case studies of selected companies, sector experts, corporate sponsors, sportspersons, etc.)	10
Total	371

¹⁹ For instance, from Fry A. *et. al* (2008).

3. Government, Federations and the Policy Framework

Sports retail requires close co-ordination with government and federations. It is affected by government policies, not only in the retail sector but also in sports and allied sectors like manufacturing. In this context, this section discusses the role of the government in sports, sports product manufacturing and retail. It also provides an analysis of policies relating to sports, the retail sector and sports product manufacturing. It analyses government's international policies, how are they linked to domestic policies and its implications for sports retail.

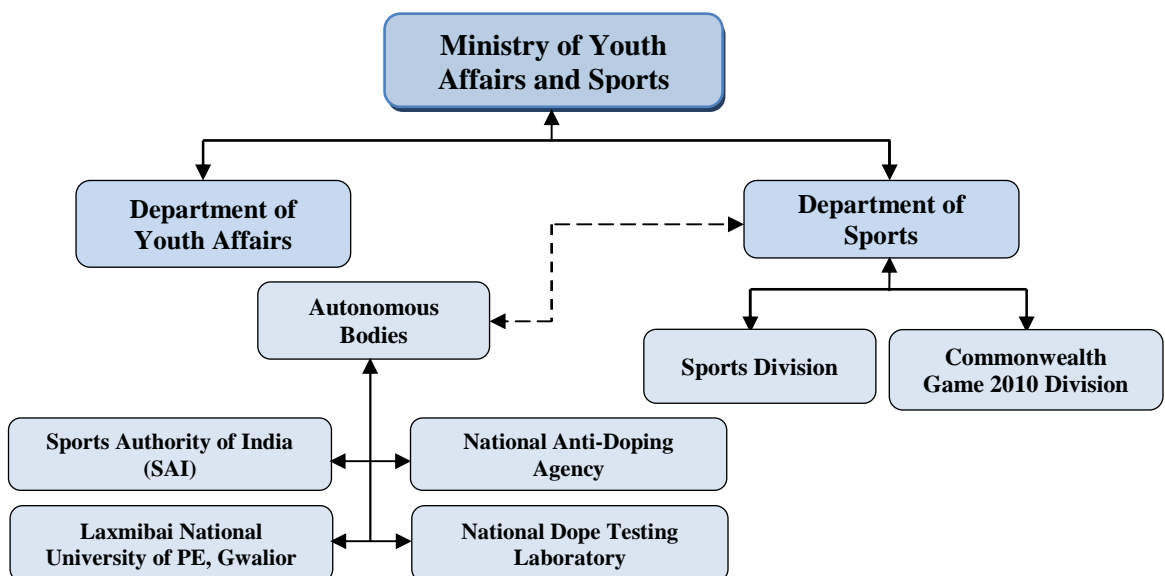
3.1 Governance Structure

3.1.1 Sports

Under the Constitution of India, “sports” is in the state list along with entertainment and amusement. Thus, the responsibility for developing sports primarily lies with each state government. This state-level focus on sports allows the development of sports at the grassroots level; each state/region has its specialisation and this heterogeneity can be maintained only by targeting sports at the state level. However, by clubbing sports with entertainment and amusement, it is treated as a leisure/voluntary activity and a serious focus on this sector is lacking.

The role of the central government is limited to planning and providing infrastructure. At the centre, the Ministry of Youth Affairs and Sports is the apex body, which designs sports policies. The structure of this ministry is given in Figure 3.1.1.1. Under this ministry, the SAI (Sports Authority of India) conducts various activities including training, managing players, organising tournaments, etc. It is solely responsible for procuring sports goods from local manufacturers across India.

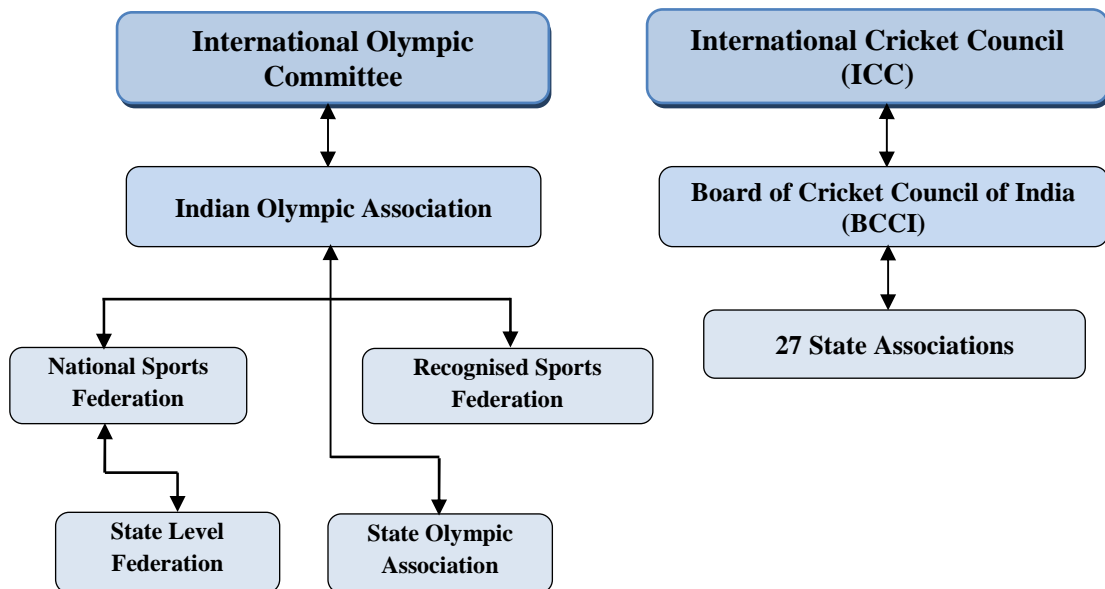
Figure 3.1.1.1: Structure of the Ministry of Youth Affairs and Sports



Source: Compiled by the authors.

In addition, there are autonomous institutions under the Ministry of Youth Affairs and Sports, such as the Indian Olympic Association (IOA) and the Board of Control for Cricket in India (BCCI). They work directly with their respective international federations/organisations and run parallel to the other departments under this ministry. IOA is affiliated to the International Olympic Committee (IOC), and is the governing body for 64 federations.²⁰ It covers almost all major sports except cricket, which is governed by the BCCI.²¹ It is divided into national sports federations (that have voting rights in the IOA) and recognised sports federations (no voting rights in the IOA). Generally, the relatively active federations come under the national sports federations, whereas the dormant ones are under the recognised sports federations. All these federations are affiliated, in turn, to their respective international sports federations (see Figure 3.1.1.2). State-level federations responsible for organising state-level events and activities are members of the national federations.

Figure 3.1.1.2: Structure of Sports Federations in India



Source: Compiled by the authors

Among other central government bodies, the Planning Commission plays an important role in allocating funds to different states for sports activities. At the state level, various ministries govern state-level tournaments, activities, and events.

²⁰ For the complete list of federations, see www.olympic.ind.in

²¹ The BCCI was established in 1928 as the single national governing body for cricket in India and is affiliated to the ICC (International Cricket Council). It has 27 state associations across five zones under its umbrella, which co-ordinate state-level activities such as state-level tournaments and team selections. The BCCI²¹ is the richest cricket board in the world and is one of the most successful federations in roping in manufacturers and retailers of sports goods into the game of cricket. Apart from the usual formats (test matches and one-day matches), it has come up with innovative formats such as the T-20 (twenty-over game), BCCI Corporate Trophy (September 2009),²¹ and, most importantly, the IPL (Indian Premier League) which was launched in 2008.

3.1.2 Manufacturing and Retail

At the manufacturing and retail end, no single ministry governs the sports goods sector. Sports equipment manufacturing falls under the Ministry of Commerce and Industry while sports apparel manufacturing is under the Ministry of Textile along with textiles, apparel, home furnishings, etc. Retail, on the other hand, is a state subject according to the Indian Constitution and, therefore, state governments are the main regulatory authority. There is no nodal ministry to regulate retail trade at the centre, unlike sectors like sports and agriculture, which are also under the state list according to the Indian Constitution. Different segments of the retail business are regulated by different ministries. For example, while the Ministry of Consumer Affairs, Food and Public Distribution regulates internal trade, FDI and external/international trade is under the purview of the Department of Industrial Promotion and Policy (DIPP) under the Ministry of Commerce and Industry. Taxation issues come under the Ministry of Finance.

Among the different councils responsible for this sector, Sports Goods Export Promotion Council (SGEPC) under the administrative control of the Department of Commerce, Ministry of Commerce and Industry, is responsible for promoting exports of sports goods and equipment; sports apparel exports is promoted by Apparel Export Promotion Council (AEPC) under the Ministry of Textile and Council for Leather Exports (CLE), both of which are under the purview of the Department of Commerce, Ministry of Commerce and Industry. The SGEPC is treated as the nodal agency for sports goods exports. However, it cannot promote exports of apparel and footwear. Thus, in international events and fora, only a part of the sports products manufactured in India (i.e., only equipment) get represented. This situation is unique to India. In most other countries, sports exports either falls under the same association or associations governing this sector work in close co-ordination with each other.

The state governments regulate the establishment of retail outlets, shop timings, inter-state movement of sports goods, etc. Zoning regulations and trade licences are under the aegis of municipal/local bodies.

3.2 Government Policies and Schemes

This section discusses government policies related to the sports sector, retail sector and sports product manufacturing.

3.2.1 Policies on Sports

Government policies can help to promote sports and, in turn, create demand for sports products. In 1954, the Indian government took the first step to promote sports by creating the All India Council of Sports (AICS). However, sports policy started receiving serious attention during the 1982 Asian Games in New Delhi. In the same year, the Department of Sports was created under the Ministry of Youth Affairs and Sports. In 1984, the National Sports Policy was announced to develop a conducive

policy framework for sports in the country. The policy emphasised the development of sports infrastructure and making sports and physical education an integral part of the students' curriculum. To achieve this objective, the SAI was set up to oversee all matters related to sports promotion and management. However, by the year 2000, there was no visible improvement in the infrastructure facilities and the rate of participation remained low (especially at the grassroots level). This necessitated a new policy, and in 2001, a National Sports Policy was formulated, which was followed by a Comprehensive Sports Policy in 2007.²²

The National Sports Policy, 2001 emphasised the need to broad-base sports and achieve excellence in sports at the national and international levels. The responsibility was entrusted to the state governments with some financial support from the central government. Development of sports in rural areas received priority. The policy also emphasised the need for harmonious and co-ordinated action between the government and other agencies. The Comprehensive Sports Policy (2007) retained the same focus, but recommended including sports in the 'concurrent list' instead of the 'state list'. Although the linkage between sports and tourism has long been recognised in other countries, the policy made this link for the first time in India.

From time to time, the government introduces schemes to promote sports and games in school and colleges, develop infrastructure in rural schools, train people and mobilise resources. These schemes include the National Sports Talent Contest Scheme, launched in 1985, to give training to talented young children in the age group of 14-18 years. The government introduced the Panchayat Yuva Krida Aur Khel Abhiyan (PYKKA) during the Eleventh Five-Year Plan (2007-2012) under which a grant of Rs. 40 million (\$1 million approximately) was allocated to the Ministry of Youth and Sports Affairs for the promotion of sports and games in schools, colleges and universities during the year 2010-11.

The Ministry of Human Resource Development has recently introduced the Continuous and Comprehensive Evaluation (CCE) system in secondary school education to be executed by the Central Board of Secondary Education (CBSE). Under this system, schoolchildren in the 10th standard will be evaluated on their performance/participation in sports activities/events in addition to their academic performance. A few sports have been listed for the schools to develop the concomitant infrastructure to implement this scheme. This will enable a strong link between education and sports, thereby promoting sports at the grassroots level and facilitating human resource and infrastructure development.

At present, 100 per cent FDI is allowed in sporting activities through the automatic route. FDI is prohibited in lottery, gambling and betting. This implies that a foreign entity or a foreigner can own clubs, teams, etc. in India. The survey found that foreign coaches and players do not face any barriers and in fact, federations have foreign coaches, technical experts, etc.

²² This is still in draft format.

Although the Indian government has various policies and schemes in the sports sector, their impact has not been significant. This is because government spending in this sector is very small; the budget outlay for sports is less than 1 per cent of the total national budget,²³ compared to about 13 per cent for a small country like Cuba. Besides, government funding has been sporadic and is not uniform across different sports. At the state government level, although many states have given priority to sports, actual investment in this sector is negligible. Moreover, the government tends to focus more on the creation of infrastructure than the development of sportspersons.

Despite the focus on infrastructure, there is limited availability of government-owned infrastructure and that too is not uniform across the country or across sports. For instance, according to the All India Tennis Association, there are only three to four proper tennis stadia in India. Only large cities like Delhi and Mumbai have adequate sports facilities like stadia, tennis courts and swimming pools. According to the government's own estimates, of the 770 million below the age of 35, only about 50 million have access to organised games and sports facilities. This is lower than in countries such as China, where 37 per cent of its population, or 480 million citizens, actively participate in education and sports activities.²⁴ Only 30 million of the 210 million school and college students in India have access to facilities for physical education, sports and games. The seventh All India Educational Survey estimated that less than half of Indian schools have sports facilities.²⁵ Lack of access to facilities has restricted the development of sports, which, in turn, limits the ability to retail sports products. Shortage of infrastructure has also led to higher prices for facilities, making them inaccessible to a majority of the population.

The survey found that although there is awareness at the government level, limited measures have been taken to actually invest in infrastructure. Some corporate, private organisations, private schools, clubs, etc., have taken initiatives to develop infrastructure. With the development of modern residential complexes, the infrastructure for sports like tennis and swimming is growing. In future, private sector participation in infrastructure is likely to increase.

3.2.2 Policies on Retail

There is no specific sports retail policy in India and the general retail policy is applicable to this sector. The retail policy in India is complex. FDI is not allowed in multi-brand retail, although from time to time the government has mooted the idea of allowing FDI in multi-brand retail in segments like sports retail. However, some of the alternative modes of entry of FDI are single-brand retail and wholesale cash-and-carry.

²³ Based on data from the Ministry of Youth Affairs and Sports, and the Ministry of Finance and Company Affairs.

²⁴ Draft Comprehensive Sports Policy-2007.

²⁵ Draft Comprehensive Sports Policy-2007.

Single-brand retail

In single-brand retail, FDI up to 51 per cent is allowed, subject to Foreign Investment Promotion Board (FIPB) approval and subject to the conditions that (a) only single-brand products would be sold (i.e., retail of goods of multi-brand even if produced by the same manufacturer would not be allowed), (b) products should be sold under the same brand internationally, (c) single-brand product retail would only cover products which are branded during manufacturing and (d) any addition to product categories to be sold under “single-brand” would require fresh approval from the government.

Wholesale cash-and-carry

FDI up to 100 per cent is allowed in wholesale cash-and-carry and export trading through the automatic route,²⁶ subject to certain conditions. For instance, wholesale of goods would be permitted among companies of the same group provided it does not exceed 25 per cent on the total turnover of the wholesale venture. FDI up to 100 per cent with FIPB approval is allowed for trading of items sourced from the small-scale sector, test marketing of items for which a company has the approval to set up a manufacturing facility, provided such test marketing is for a period of two years. FDI up to 100 per cent is permitted for e-commerce activities; however, these companies are only allowed to do B2B (business-to-business) and e-commerce, but not retail trading.

Franchising and Commission Agents' Services

In franchising and commission agents' services, FDI (unless otherwise prohibited) is allowed with the approval of the Reserve Bank of India (RBI) under the Foreign Exchange Management Act.

Some Other Routes of Entry

Since FDI up to 100 per cent is allowed in manufacturing, foreign companies can set up a manufacturing base in India and enter the retail segment through this route. Foreign companies operate in India through buying agents, distributors and licensing agreements.

The survey found that the policy of single-brand retail was adopted to allow Indian consumers access to foreign brands. Since Indians spend a lot of money shopping abroad, this policy enables them to spend the same money on the same goods in India. This policy can benefit both the foreign retailer and the Indian partner - foreign players get local market knowledge, while Indian companies can access global best management practices, designs and technological knowhow. Unlike franchising, it enables foreign companies to share profits with their Indian partners. By partially

²⁶ FDI in sectors/activities to the extent permitted under automatic route does not require any prior approval by either the Government or RBI. The investors are only required to notify the Regional office concerned of RBI within 30 days of receipt of inward remittances and file the required documents with that office within 30 days of issue of shares to foreign investors.

opening this sector, the government was able to reduce the pressure from its trading partners in bilateral/ multilateral negotiations and could demonstrate India's intentions in liberalising this sector in a phased manner.

However, this policy has certain drawbacks. The policy requires that the foreign partner should be the original owner of the brand and not distributors, dealers, etc. in order to ensure that the international quality and standard of the product is maintained. Many international brands from Europe and the US are marketed through dealers/distributors in the Asia-Pacific region. Further, permission is granted only to those brands that are regular product lines of foreign companies, which means that foreign companies cannot experiment with new brands created exclusively for the Indian market. Moreover, if a foreign retailer has multiple brands, it has to get separate permission for each brand to enter the Indian market. Most sports product retailers are multi-brand (for instance, both Reebok and Adidas are brands of the company Adidas AG, while both Lotto and Etonic are brands of Lotto Sports Italia S.p.A.). There is no screening of the Indian partner (who merely has to be credit-worthy and a resident Indian). Due to this, only a few sports retailers such as Canadian brand Trio Sports Wear (P) Ltd. have applied for entry through the single-brand route.

The 100 per cent FDI in wholesale cash-and-carry trading does not benefit sports retailers since this mode is most suitable for retailers who operate on volume business rather than specialised retailers like sports retailers who operate on value. Since in India, direct selling is part of wholesale trading, direct selling companies in the sports product segment can enter the market. Some sports retailers use distributors who use direct selling and other non-store formats like teleshopping to market their products. This is common in the case of fitness products where the marketing is sometimes clubbed with health and wellness products.

The survey found that foreign brands such as Nike, Reebok, Adidas, etc. that have wholly-owned subsidiaries in manufacturing are treated as Indian companies and are, therefore, allowed to do retail. For instance, Nike entered through an exclusive licensing agreement with Sierra Enterprises but now has a wholly owned subsidiary, Nike India Private Limited. Franchising is a common mode of operation and both foreign brands and domestic players use this mode to increase their retail footprints. Most of the stores of Reebok India Company use this mode for retail expansion. Some brands give exclusive licences and distribution rights to Indian companies. Through these rights, Indian companies can either sell it through their own stores, or enter into shop-in-shop arrangements or distribute the brands to franchisees.

The FDI restriction on multi-brand retail and partial FDI in single-brand retail does impose some restrictions on foreign retailers. It inhibits their ability to choose the most preferred mode of entry. Due to this, the presence of foreign retailers in India is much lower than in other countries. According to the CB Richard Ellis report, "How Global is the Business of Retail?" (2009), India ranked quite low (39th) among 67 countries in terms of the percentage of international retailers in 2008. At present, a foreign sports

brand/retailer can have a presence in India through multiple routes such as franchising, joint venture for a brand with an Indian partner and through an Indian distributor. A survey conducted by the United Nations Conference on Trade and Development (UNCTAD) on 300 international retailers found that more than a quarter have either opened or are planning to open stores in India if the country relaxes its FDI norms further. India is under significant pressure in the on-going Doha Round of multilateral negotiations in the WTO and in its negotiations in bilateral/ regional agreements to open this sector for FDI.

Since retail is regulated by a large number of ministries/authorities at the centre, state and local levels, there are multiple regulations which vary across states and even cities. However, it is important to note that sports product retail is less sensitive than retail in sectors like food and grocery and pharmaceuticals and, therefore, subject to a lower level of regulatory control. The basic licences that a sports sector retailer requires are given in Table 3.2.2.1.

Table 3.2.2.1: Clearances required by Sports Retailers

Retail Outlet Specification	Trade Licence	VAT Registration Number	Permission from Amusement Department (Municipality)	No Objection Certificate	Fire Licence
Traditional retailer, shop's super-built area <20,000 sq. mt., (no kitchen facility and not using TV/Music system for customers)	√	√			
Traditional retailer, shop's super-built area <20,000 sq. mt., (no kitchen facility) but using TV/Music system for customers' entertainment)	√	√	√		
Traditional retailer, shop's super-built area >=20,000 sq. mt. (with kitchen facility but not using TV/Music system for customers' entertainment)	√	√		√	
Traditional retailer, shop's super-built area >=20,000 sq. mt. (with kitchen facility and using TV/Music system for customers' entertainment)	√	√	√	√	
Traditional retailer selling inflammable articles, shop's super-built area <20,000 sq. Mt., not using TV/Music system for customers' entertainment	√	√			√
Traditional retailer selling inflammable articles, shop's super-built area <20,000 sq. mt. using TV/Music system for customers' entertainment	√	√	√		√
Traditional retailer selling inflammable articles, shop's super-built area >=20,000 sq. Mt. using TV/Music system for customers' entertainment	√	√	√	√	√

Source: Compiled from the ICRIER Survey of Retailers.

The process for setting up a sports retail operation varies across states/local authorities. Since 2003-04, the Kolkata Municipal Corporation has started a green channel for issue of licences within one day; inspection is done after the trade licence is issued. It has also introduced a process of renewal of trade licences through banks. Retailers in segments like food and grocery cannot avail of such fast-track clearances. At the state level, the Shops and Establishment Act, which varies across states, regulates the retail sector. This Act lays down the conditions for retail including shop timings. In some states, there is a mandatory requirement to keep shops closed once a week for the benefit of employees. However, states like West Bengal have also given retailers some flexibility in shop timings for stores above a certain shop size and employing a minimum number of employees. These retailers can open their stores seven days a week. However, they have to give their employees a day off and have a system of employee rotation.

The government is in the process of implementing policies that will facilitate sports retail. By April 2011, there will be a Goods and Services Tax (GST) that will reduce barriers to interstate movement of goods and enable retailers to have a centralised procurement system. The government is encouraging FDI in back-end retail activities such as logistics management by providing tax concessions and fiscal incentives for investment in these sectors. To facilitate the use of land for retail purposes (shopping malls, etc.), Gujarat and Goa have repealed the Urban Land (Ceiling and Regulation) Act, 1976, which restricts the use of land for commercial purposes.

3.2.3 Policies on Manufacturing

One of the core objectives of the government is to promote manufacturing and exports of labour-intensive products like sports products. The government wants to develop India as a sourcing hub for sports goods, apparel and footwear. For this, 100 per cent FDI is allowed in the manufacture of sports products.

The government policy in manufacturing is focussed on exports and not the domestic market. The government has created special economic zones where manufacturers get incentives such as tax exemptions on export income and easier clearances. The sports goods and toys sector has a special focus in the Foreign Trade Policy (2009-14) and is treated as a priority sector under the marketing development assistance and the market access initiative schemes. The allocations for these schemes have been increased. Applications relating to sports goods and toys are given fast-track clearance by the Directorate General of Foreign Trade (DGFT). There are duty exemptions on the import of footwear machinery, and concessions have been given to the import of sports vehicles, such as golf carts for hotels, travel agents and tour operators to promote the tourism industry in general and golf tourism, in particular. For technological upgradation in the apparel sector, the Export Promotion Capital Goods (EPCG) scheme offers zero duty for capital goods imports. To promote modern retail infrastructure, concessional duty benefits under the EPCG scheme have been extended to the import

of capital goods required by retailers that have a minimum area of 1,000 sq. metres; retailers availing of this scheme will have to fulfil export obligation criteria. Apart from these, the foreign trade policy emphasised the promotion of Indian brands in international markets, simplifying the procedures for imports/exports, improving infrastructure for exports, and reducing transaction costs. When Indian exporters were hit by the global slowdown, the government announced stimulus packages to revive the sector.

Different state governments also provide incentives to promote manufacturing and assist the sports industry in their state. For instance, the Uttar Pradesh government allotted land for sports goods manufacturing and for a sports complex in Meerut.

Although these policies have helped Indian manufacturers in exporting and accessing the global market, there is a drawback. The focus is on contract manufacturing rather than building a strong India brand. As a result, Indian brands have not made inroads into global markets.

3.3 International Strategies, Domestic Policy and Its Implications

India actively participates in international sports events such as the Olympic Games, Commonwealth Games and Asian Games. Although India's global ranking is much lower than countries like China in competitive sports, India did well in the Commonwealth Youth Games in 2008 and won the highest number of medals (76 medals) followed by Australia and England.²⁷ In the 11th South Asian Games, 2010 in Dhaka (Bangladesh), India won a large number of medals.²⁸ India's international ranking is good in sports like cricket, chess, shooting, boxing and golf.

The Ministry of Youth Affairs and Sports, India, has signed a Memorandum of Understanding (MoU) on co-operation in the field of sports with countries such as Australia, Bulgaria, Belarus and Argentina. Such MoUs facilitate or include exchange of sports and physical education team/experts, training, etc. To promote exports, the respective export promotion councils, namely, SGEPC, CLE and AEPC, work closely with their counterparts in foreign countries. As mentioned earlier, foreign coaches, players, etc., can work in India.

There are no restrictions on broadcasting of international sporting events and Indians have access to all major events. In India, the number of households owning television sets has increased from 108 million to 123 million in 2008, in which 59 per cent had

²⁷ The Commonwealth Youth Games started in 2000 in Edinburgh, Scotland. The third game took place in Pune, Maharashtra, India in 2008. India won 33 gold medals, 26 silver and 17 bronze (Source: <http://www.cygpune2008.com/>)

²⁸ Eight countries – Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka – participated in these games. India won 175 medals (90 gold, 55 silver and 30 bronze) (source : <http://www.merineews.com/article/south-asian-games-2010-india-wins-174-medals/15797680.shtml>)

cable television.²⁹ The public broadcaster, Doordarshan, which reaches over 90 per cent of the population, telecasts all major sporting events. There are also dedicated sports channels. This has helped to increase knowledge not only about sports but also sports brands.

In the goods segment, the duty structure for sports product is given in Table A1 in Appendix A. India's trading partners have argued that the total duty of over 24 per cent is high. They have raised it in international negotiations both in the WTO and in the FTAs (Free Trade Agreements). Since India's bound rates in the WTO are higher than the autonomous regime, there is scope for further tariff reduction in the WTO without any changes in the current tariff structure.³⁰ However, India is under pressure in bilateral FTAs to reduce tariffs.

In the WTO and in its bilateral agreements, India is a major proponent of service sector liberalisation. These negotiations are covered under GATS in the WTO, which was formed during the Uruguay Round. GATS aims to progressively reduce market access and discriminatory barriers to trade in services. A unique feature of GATS was to define the service trade under four different modes, namely, Mode 1, Mode 2, Mode 3 and Mode 4 (see Appendix B for an overview of GATS and definition of different modes of services trade). Both sports services and retail are covered under GATS. During the Uruguay Round of negotiations, WTO member countries drew up a Services Sectoral Classification List (MTN.GNS/W/120) based on the UNCP (United Nations Provisional Central Product Classification) for the purpose of negotiations. The WTO Services Sectoral Classification List (known as "W/120"³¹) covered 12 service sectors and over 150 sub-sectors. Sports services are covered under recreational, cultural and sports services in the W/120 and retail services under distribution services (Table 3.3.1).

Table 3.3.1: Sports and Retail Services in W/120

W/120	CPC No.	Description	
4.A	621	Distribution Services	Commission Agents' Services
4.B	622		Wholesale Trade Services
4.C	631+632		Retail services
4.D	8929		Franchising
10.D	9641	Recreational, Cultural and Sports Services	Sports Services
	9649		Other Recreational Services

Source: Compiled by the authors from W/120

²⁹ FICCI-KPMG (2009)

³⁰ In the Uruguay Round the tariff lines bound at 40 per cent and 25 per cent. Where the applied rates \geq 40 per cent the bound rate is 40 per cent and where the applied rates $<$ 40 per cent the bound rate is 25 per cent

³¹ Services Sectoral Classification List, Note by the Secretariat, WTO Document MTN. GNS/W/120 (10 July 1991).

The Uruguay Round was the first round of WTO negotiations. The commitments in both sports and retail sectors were limited. About 14 countries scheduled commitments in sports services, whereas 22 members committed in retail (Table 3.3.2).

Table 3.3.2: Summary of Commitments in UR and Doha Round

Services	UR Commitments	Doha Round	Total
Sports Services	14	32	46
Commission Agents' Services	16	23	39
Wholesale Trade services	22	31	53
Retail services	22	30	52
Franchising	17	25	42

Source: Compiled by the authors from WTO Services Database

At present, the second round of WTO negotiations, the Doha Round, is going on. It is expected that countries will broaden their commitments in services in the current round. Since the 1990s, India's services sector has undergone reforms and liberalisation and the country is now ready to undertake commitments to liberalise a large number of services. In fact, India is a major proponent of services sector liberalisation in this round. India's negotiating position reflects its core interest in getting greater market access and non-discriminatory treatment from its trading partners, especially developed country trading partners, in sectors like computers and in modes of trade like Mode 4 (temporary movement of people) and Mode 1 (cross-border trade like on-line deliveries) where the country has an export interest. However, the country also has some sensitive sectors within services. Retail is one of the few sectors in which there are FDI restrictions. India's trading partners such as the US and EU are pushing India to open up the retail sector.

There are other issues relating to the retail sector. The retail sector is evolving and development of technology, liberalisation and innovative business practices have resulted in new forms of retail and service deliveries. The W/120 has not taken these into account. In fact, the coverage of retail has changed in the newer version of UNCPC. Precisely, UNCPC version 2 has a more detailed classification of different formats of retail such as non-specialised stores, specialised stores, mail order or internet, other non-store and retail trade services on a fee or contract basis.³² There is no major change in the classification of sports services in UNCPC version 2.

Overall, in the Doha Round, there has been improvement in commitments in both sports and the retail sector. Table 3.3.3 lists some of the important WTO member countries and their offers/commitments in sports and retail. India, too, has offered to improve on its Uruguay Round commitments. In the Uruguay Round, India did not

³² For details see <http://unstats.un.org/unsd/cr/registry/cpc-2.asp>

make any commitments either in sports services or in distribution services. In the revised offer submitted to the WTO in August 2005, India offered to bind the existing level of autonomous liberalisation in the sports sector. Within distribution, India offered to undertake commitments in commission agent's services and wholesale trade services for certain products only. India did not make any offers in retail. Overall, India's offer in the distribution sector was below the level of autonomous liberalisation in 2005 since foreign players could enter through the franchising route at that time.

Table 3.3.3: Offers/Commitments of WTO Member Countries: Sports Services and Retail Related Services

	Sports Services	Commission Agents' Services	Wholesale Trade Services	Retail Services	Franchising
Australia	◇	◇	◇	◇	◇
EU	■	■	■	■	■
USA	×	◇	◇	◇	◇
India	■	■	■	×	×
Japan	■	■	■	■	■
New Zealand	×	■	■	◇	×
South Africa*	×	×	◇	◇	◇
Brazil	■	■	◇	◇	◇
China**	×	■	■	■	■

Source: Compiled by authors from WTO Services Database <http://tsdb.wto.org/default.aspx>

Note: × - No commitment; ■ - Improvement in revised offer; ◇ - No improvement in revised offer; ■ - No commitment in UR but in revised offer; * - Given only Initial offer

** - For China, the improvements are over its accession commitments. China acceded to the WTO in 2001 after the Uruguay Round.

A careful analysis of India's revised offer shows that the country has offered to give full national treatment to foreign service providers in sectors where it has given market access. This means that once a foreign service provider is allowed to enter the country, there is no discrimination between foreign and local service providers. This has an implication for the retail and allied sectors – where within India there are apprehensions about the impact of foreign retailers on domestic service providers. In fact, many WTO members allow FDI but do not give national treatment as is the case of China, Korea, and some EU member countries (Table 3.3.4). These countries, although they seem more open as they do not restrict market access, have reserved the right to give preferential treatment to domestic service providers.

Table 3.3.4: National Treatment in the Revised Offers of Selected Countries

	China	US	EU	India	Japan	Korea	Brazil
Sports Services							
Mode 1	×	×	□	√	×	×	×
Mode 2	×	×	□	√	√	×	×
Mode 3	×	×	□	√	√	×	√
Commission Agents' Services							
Mode 1	×	√	□	√	√	√	×
Mode 2	√	√	□	√	√	√	×
Mode 3	√	√	√	√	√	√	√
Wholesale Trade Services							
Mode 1	×	√	□	√	√	√	×
Mode 2	√	√	□	√	√	√	×
Mode 3	√	√	√	√	√	√	√
Retail Services							
Mode 1	□(only for mail order)	√	□	×	√	√	×
Mode 2	√	√	□	×	√	√	×
Mode 3	√	√	√	×	√	√	√
Franchising Services							
Mode 1	√	√	□	×	√	√	×
Mode 2	√	√	□	×	√	√	×
Mode 3	√	√	□	×	√	√	√

Source: Compiled by authors from WTO Services Database <http://tsdb.wto.org/default.aspx>

Note: (1) √ Full Commitment, □ Partial Commitment, × No Commitment

(2) Type of Restrictions in the EU. For instance, Cyprus, Czech Republic, Estonia, Latvia, Malta, Poland, and Slovak Republic have kept Modes 1, 2, 3 unbound and Sweden has given a restriction of financial support to specific local, regional or national activity for sports services.

(3) Mode 4: Unbound except as indicated in the horizontal section (in Mode 4 countries did not undertake sector-specific commitments)

The slow progress of the WTO negotiations has led to a proliferation of FTAs/ bilateral/regional agreements. These FTAs not only encompassed liberalisation of goods, but also services, investment, and trade facilitation. India's first comprehensive agreement involving the service sector is the India-Singapore Comprehensive Economic Co-operation Agreement (CECA), which became operational in August 2005. India did not undertake any commitment in sports services, but undertook commitments in franchising services along with wholesale trading and commission agents' services. In August 2009, India signed the Comprehensive Economic Partnership Agreement (CEPA) with Korea. It undertook commitments in sports services, commission agents' services and wholesale trade services similar to its revised

offer but took a negative listing of investment. Specifically, it states that FDI is not permitted in the lottery business, gambling and betting and FDI is prohibited in retail except in the case of single-brand retailing with a 51 per cent equity cap, subject to the existing conditions. This indicates that India does not intend to roll back the current autonomous investment regime in retail. The commitments in the investment chapter also indicate that there are no restrictions on wholesale trading, commission agents and franchising, whereas in the services chapter, India did not undertake any commitments in franchising. This results in some inconsistency between the services and investment chapter. India tends to give non-discriminatory treatment to foreign service providers in its bilateral agreement by undertaking commitments in national treatment.

India's offer in the WTO and commitments in the FTAs show that the country intends to progressively liberalise the retail and sports sectors. At present, India is negotiating comprehensive agreements with trading partners like the EU, who will push India to liberalise further the retail sector. Thus, the external pressure on India to liberalise the FDI regime in retail will continue. Since the present FDI restriction is not an entry ban, such restrictions put India in a defensive position in the WTO/FTAs while foreign players are already present in India through other routes. The survey found that the sensitivity of the retail sector is adversely affecting India's bargaining position as a proponent of services liberalisation.

4. Some Bulk Consumers of Sports products

Government, federations, institutions such as schools, sports clubs, academies are some of the large buyers of sports products. Sports retailers and brands work closely with them because: (a) they constitute a large part of their business (b) once they approve the product, the product becomes popular and retail market for the product expands (c) the consumer can see the products in national and international events and hence consumer knowledge about the products increases.

4.1 Government and Federations

The government, along with the federations, is the single largest purchaser of sports goods in India. SAI is the nodal agency for purchasing goods for all major sports events and it works with the respective federations who specify the standards. For all international events, equipment specified by international organisations/federations is used. For around 50,000 beginners/trainees across India, the bulk of the equipment is procured from local manufacturers in cities like Jalandhar and Meerut, but they adhere to international standards. For national and international events, mainly foreign brands are used. Even in state-level events, international brands recognised by international federations are often used. Due to lack of funds, some state-level federations pointed out that they have to use Indian brands, especially for practice matches.

The requirement for imported equipment varies across sports. In the case of shooting, almost all the equipment is imported, while for cricket the bulk is sourced

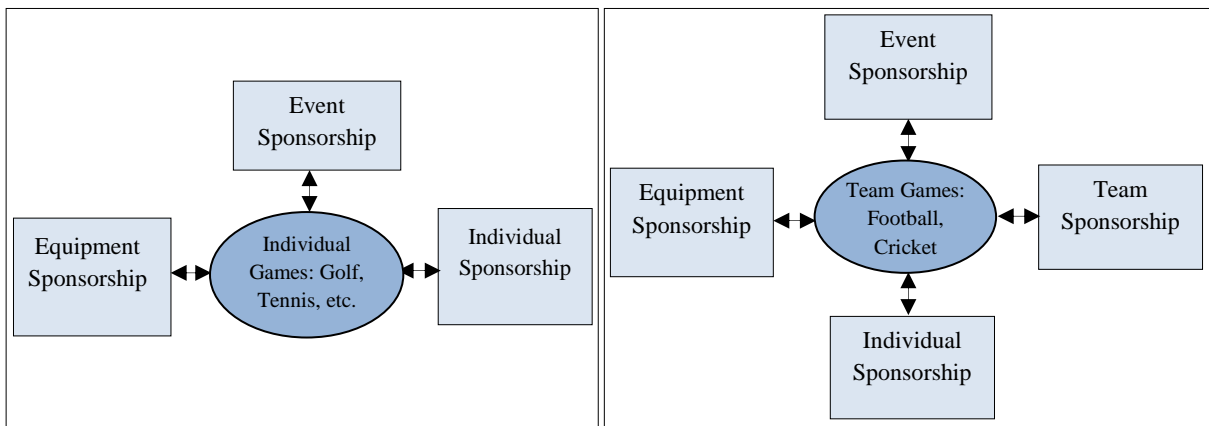
domestically. The imported equipment is either chosen by the players (who have a strong preference for specific foreign brands) or by the federations. If the players/federations specify certain brands/suppliers/companies, the tendering/ bidding process is open only to those brands/suppliers/companies. If the federations/players do not have rigid specifications, a local tender is released for domestic sourcing and the lowest bidder is selected to supply the required materials to all SAI centres across India. Similarly, for imported goods, an international tender is released. The survey showed a distinct preference for the lowest bidder.

The survey found that traditional/small retailers only cater to consumers and do not work with the government and/or federations. Equipment manufacturers supply to the government/ federations at central, state/district and local levels through wholesalers, distributors, etc. Foreign manufacturers generally supply equipment through their Indian or Asian agents in order to avoid replacement, installation, maintenance and other related problems. Government agencies also feel comfortable if there is an Indian distributor, who can be held responsible in case of problems. Sports goods imported by the government are exempt from import and other duties.

Corporate retailers work directly with the government and/or federations. Multi-brand retailers like Planet Sports are also distributors of brands like Speedo, Prince and Converse. They liaise directly with federations for use of the brand in sports events. For instance, Nike has been the official kit sponsor for the Indian cricket team for five years (from 2006 until the end of 2010). In fact, the government also approaches well-known brands like Reebok and Nike for event sponsorship.

When asked about sponsorship, it was found that sponsorship could be of different kinds. It can be that of an event, or player or team. The federations generally handle event or team sponsorship. Retailers and/or brands work closely with established players to sponsor their equipment and accessories in case of team sports and even apparel in the case of individual sports. The sponsorship structure varies for individual and team sports (Figure 4.1.1).

Figure 4.1.1: Sponsorship for Individual and Team Sports



Source: Compiled by the authors.

4.2 Schools, Colleges, Clubs, etc.

School, colleges, clubs and academies are bulk purchasers of sports products. During the survey, multi-brand retailers like Planet Sports and brand retailers like Nike and Reebok pointed out that schoolchildren constitute a big market for sports products; if they like a brand, it stays with them throughout their life. Brands, therefore, tend to work closely with schools to get their product approved – even as a part of the school uniform; for instance, in the past, most school shoes were supplied by Indian brands, but now brands like Reebok supply school shoes and equipment. Brands have come up with competitive pricing strategies to get businesses from schools.

In the past, Indian schools emphasised academic education; however, some schools now focus on all-round development, which includes sports and fitness, and extracurricular activities along with education. The CCE system has increased the focus on sports. The government has also categorised school and university games under the ‘priority’ sector for sports promotion.

School-level sports competitions include events at the intra-school, inter-school, zonal, district, state, national and international levels. However, few participants represent India at the international level. The School Games Federation of India, an independent body recognised by the Ministry of Youth Affairs and Sports and the Indian Olympic Association, is the core federation for sports at the school level. Some key activities of these federations are to organise sports events, set up coaching camps, maintain records of the participants and select teams for international events. In 2007-08, the federation organised 42 national school sports competitions in which 31,000 players participated from across the country.

The Mumbai School Sports Association (MSSA) is probably the only school sports association in the country. It is a sports-promoting body, which caters to the sports needs of over 60,000 schoolchildren in Mumbai with over 360 schools as its members. Since 2007, Nike has been the official title sponsor for 11 of the 21 tournaments that MSSA organises annually for all age groups in both the boys’ and girls’ categories. It also conducts sports clinics for the participants, where trained representatives from Nike educate them on the correct use of sports gear. This is an example of how global brands are working at the school level. Sports brands like Lotto are working closely with tennis clubs across the country, which gives visibility to the brand. Unlike traditional retailers, corporate retailers aggressively targets schools, colleges, clubs, etc., through bulk discounts and loyalty packages.

5. Status of Selected Sports in India

In India, a wide range of sports are played, but sponsorship, fan following, and retailer involvement differ. While some sports are treated as competitive sports, attracting viewership and sponsorship, others are played for leisure or fitness. Some like ice

hockey and skiing are niche sports that are located in specific places (northern India), while others such as cricket and football are played across the country. The Indian government recognises sports like cricket and football, but not motor sports. The overall level of participation in competitive sports is low – around one per cent³³ of the Indian population participates in competitive sports or plays any type of sport regularly. However, the popularity of and participation in different sports keeps changing, but sports like cricket, badminton, chess and football are constant favourites. The top 10 sports by participation are given in Table 5.1. There have not been any major changes in the status of sports in 2008 with cricket still holding the most prominent position.

Although there are linkages between popularity and participation, participation may be low in some sports which Indian like to watch on television. For instance, motor sports have high television viewership but not participation. Similarly, sports like boxing and shooting have gained popularity after India won medals at the Beijing Olympics in 2008; however, the level of participation is low.

With increasing health consciousness, running and fitness have become popular and participation has increased. In a tropical country like India, swimming is a popular sport but it suffers from lack of infrastructure; also, this is a seasonal sport in many parts of India.

Table 5.1: Top 10 Sports by Participation

(in Per cent)

Sports	2001	Sports	2003	Sports	2005	Sports	2007
Cricket	9.9	Cricket	7.5	Cricket	8.9	Cricket	8.8
Chess	3.5	Badminton	3.0	Badminton	2.9	Chess	4.5
Badminton	2.9	Chess	2.3	Cycling	1.9	Badminton	3.5
Cycling	2.6	Football	1.7	Football	1.9	Volleyball	2.0
Football	1.4	Cycling	1.6	Volleyball	1.5	Cycling	2.0
Athletics	1.4	Athletics	0.9	Running	1.4	Football	1.6
Bowling	1.3	Swimming	0.9	Athletics	1.2	Bowling	1.6
Swimming	1.2	Tennis	0.8	Tennis	1.0	Running	1.4
Tennis	1.1	Bowling	0.7	Basketball	0.9	Fitness	1.4
Table Tennis	0.8	Table Tennis	0.6	Swimming	0.8	Swimming	1.3

Source: Compiled by the authors from Fry, A. et. al (2008), Appendix 4.7, pp. 57-58.

An overview of some sports in India is given below. These sports are classified as team sports, individual sports, new/niche sports, leisure and fitness sports. The list of some sports, along with the popular brands, the source, and retail mode is given in Table C1 in Appendix C.

³³ This one per cent does not include sports like walking or yoga in which more than one per cent of the population may participate.

5.1 Team Sports

- (a) **Cricket** is the most popular sport in terms of participation, viewership and sponsorship. It contributes to 80-90 per cent of the total sports revenue. It is played in a variety of formats (test matches, one-day, twenty-twenty, etc.). The bulk of the equipment for this sport is manufactured locally in cities like Jalandhar and Meerut. International brands such as Reebok have re-oriented their strategies in the South Asian region and are sponsoring cricket. Cricket has contributed to the success of many sports brands like Reebok, Adidas and Nike in India.
- (b) **Football** is the second most popular team sport after cricket. India is a manufacturing hub for footballs, but the country does not have any strong indigenous brands. For all major events, footballs and other equipment approved by the *Fédération Internationale de Football Association* (FIFA) are used. In recent years, there has been an increase in sponsorship, and broadcasters have shown an interest in telecasting this game. Top sports brands, like Reebok, Adidas and Nike, promote football in India. The Union of European Football Associations (UEFA) has identified India as an emerging market for the game. Manchester United Food and Beverages (Pte) Limited has opened Manchester United Café Bar in Mumbai that will also telecast football matches and other sports events.
- (c) The national sport of India is **hockey** and the country won many international awards prior to the 1980s. After the 1980s, India's performance in this game deteriorated and due to poor performance in international events, viewership and sponsorship have been adversely affected.³⁴ In 2010, India hosted the Hockey World Cup and companies such as Hero Honda Motors Limited, Coca-Cola Limited and brands such as Reebok have sponsored national and international hockey events. The Indian Olympic Association is now trying to improve the quality of the game. At present, the bulk of the equipment is manufactured domestically. International sourcing of equipment is limited but, of late, equipment is being sourced from countries like China.

5.2 Individual Sports

- (a) **Tennis** is an upcoming sport in India and one of the most popular sports in the individual sports category. India's rank among international tennis players is low; the performance of Indian players has not been good in individual matches, but they seem to do well in doubles tournaments. The All India Tennis Association (AITA) is trying to promote this sport in India. The equipment is manufactured locally in sports hubs like Meerut and Jalandhar, and is also imported from countries such as China and the US. The quality of foreign brands is considered to be better than that of local brands and federations use

³⁴ This sport has suffered due to poor management by the federation, lack of infrastructure and training, lack of coaching and management assistance, outdated technology, and lack of sponsorship.

- international brands for important events. Tennis is a popular sport in terms of viewership.³⁵ Many national and international companies sponsor this sport including sports brands like Lotto and Reebok.
- (b) **Badminton** is not a very popular racquet sport in India, unlike in countries like China and Malaysia. India's global ranking is low and there is limited interest among the younger generation. The sport requires minimal infrastructure and is treated often as a fitness activity. There are only a few badminton stadiums and a few clubs and academies in India. The bulk of the equipment is sourced locally. India is a manufacturing hub for racquets and shuttlecocks. Indian players who participate in international tournaments use only internationally certified equipment and local manufacturers cater to domestic events, state tournaments, training camps, etc. As of now, this sport has received limited sponsorship.
- (c) **Chess** is said to be a descendant of the game, Chaturanga, which was popular in ancient India. This game achieved national status only after independence and in 1951, the All India Chess Federation (AICF) was established. Chess is a popular game in terms of participation and India's global rank in this game is good. The country is rapidly emerging as a chess powerhouse, with a growing number of international grandmasters. Viewership and current sponsorship is low as it is a slow game. However, during the survey, it was pointed out that the prospects for future sponsorship are good. Chess is a popular game in Indian households and Indian parents like their children to play chess – but the retail options are limited.

5.3 New/Niche Sports

- (a) **Golf** is a fast growing, sport in urban India and is largely treated as a recreational sport. The global golf industry is valued at \$7 billion (€4.8 billion). In India, the industry is currently valued at Rs.750 million (€12 million)³⁶ and during the survey, it was pointed out that it is likely to grow at around 25 per cent annually. The inclination towards this sport has increased with growing corporatisation and the construction of private golf courses in places like Gurgaon and Greater Noida (in the National Capital Region), which is permitted as part of Special Economic Zone (SEZ) development. Golf equipment is largely imported from countries like Japan, Malaysia, the US and UK. Few Indian companies manufacture golf equipment (one exception is Mayor International Limited which manufactures golf balls) and there are hardly any Indian brands in this segment. Indian golfers are doing well in international events and many international golf brands such as Greg Norman Collection (golf apparel) and Callaway have a presence in India.

³⁵ Indians keenly follow international events such as Wimbledon, the French Open and Davis Cup.

³⁶ <http://www.televisionpoint.com/news2009/newsfullstory.php?id=1235043408>

- (b) **Motor sports** is a niche sport in India since the cost of infrastructure, equipment, etc. is very high. In fact, during the survey, SAI pointed out that the cost of organising one motor sports event is equal to the annual budget of the SAI. The government is not keen to fund this event; it is considered a leisure and entertainment activity by the Ministry of Youth Affairs and Sports.³⁷ Nonetheless, motor sports enjoy significant private sector involvement, corporate sponsorship and viewership. There are only two racing tracks in India, both built with corporate initiative. Most motor sports clubs are corporate-owned and events are sponsored by corporates like JK Tyres and Industries Limited and Ford India Private Limited. Most of the equipment used in this sport is imported. During the survey, it was pointed out that Indians prefer to watch fast and adventurous sports on television and viewership of this sport is increasing. As a result, the popularity of motor sports is growing among the younger generation. Some sports brands like Puma have started selling motor sports clothing, accessories, etc., in their stores.
- (c) **Boxing** is largely concentrated in small towns and rural areas of India and is treated as a game for the common man. It gained recognition after Vijender Kumar won the bronze medal in the Beijing Olympics of 2008. In 2009, India did well at the World Boxing Championship in Milan. India is also among the top countries in women's boxing. The International Olympic Committee has approved women's boxing as a new event for the 2012 London Olympics. However, due the lack of viewership and infrastructure, the sport did not get the attention of sponsors until recently. With the strong performance of Indian boxers, sponsors have become interested in this sport. For international events, the federation uses international brands such as Adidas, Top 10, and Everlast. However, for national-level training camps and tournaments, they procure local brands manufactured in Jalandhar and Meerut. India is a manufacturing hub for boxing equipment.

5.4 Leisure and Fitness Activities

Indians are now increasingly realising the importance of health and fitness. The reasons for this are changes in lifestyles, the multi-national work culture, changing work patterns (for example, nightshifts in BPOs (Business Processing Outsourcing)), workplace stress, changed eating habits and lifestyle-related diseases like backaches. This is forcing the younger generation to take up some form of fitness activity and the number of gymnasiums, yoga centres, and aerobics centres is growing. The fitness equipment industry has witnessed significant growth; the market was estimated to be around Rs.12.5 billion in 2008 and is expected to reach Rs.63.3 billion by 2012.³⁸ The end-users include individuals using fitness equipment at home and institutions like health clubs, corporate houses, etc.

³⁷ Formula One has not achieved "sports status" in India. This means that it is not recognised as a sport and, therefore, does not fall under the purview of the Ministry of Sports and Youth Affairs.

³⁸ SGEPC (2009)

- (a) **Swimming** is seen as a leisure and fitness activity rather than as a competitive sport in India. It is a seasonal sport (April to October). There are a few government swimming pools, but most swimming facilities are in recreational clubs, hotels and apartment complexes and a few academies. The performance of Indian swimmers in international events used to be good, but it has deteriorated due to lack of scientific training methods, inadequate infrastructure and poor maintenance of existing infrastructure. The swimming federation is not very forthcoming. Recently, foreign brands like Speedo have entered the Indian market through multi-brand retailers like Planet Sports. Puma and Reebok have also forayed into swimwear and luxury brands like Gottex and Ralph Lauren have entered the Indian market. Local brands are also doing well. India is a manufacturing hub and exporter of swimwear and the manufacturing clusters are located in Mumbai, the NCR (National Capital Region) and Meerut.
- (b) **Gymnasiums** have become common in large Indian cities. There are gymnasium chains like Talwalkers, FitnessOne, Body Care and VLCC Health Care Limited. Some high-income households have their own gymnasium equipment like treadmills and exercise cycles, but the fast-selling products are low-value fitness products like skipping ropes and lightweight dumb-bells. In the past, the low-value fitness products were largely unbranded and sold through traditional retailers but of late, brands like Reebok have entered this segment. These are mainly manufactured in India, whereas equipment like treadmills is often imported. In the past, equipment was sourced from developed countries, but now the bulk of the equipment is sourced from developing countries like China and Taiwan because they are price-competitive. Fitness equipment is sold mainly through multi-brand retailers and through non-store formats like telemarketing. Some fitness centres such as VLCC and Body Care offer a complete health, beauty and fitness package. Sports brands like Reebok and Adidas are coming up with fitness equipment, such as gymnastics balls and exercise mats and complete fitness and gymnasium kits.
- (c) **Yoga** is the traditional Indian fitness activity. Indians are adopting yoga as part of their daily lives. There are now dedicated television channels for yoga. Many lifestyle magazines like Femina advertise yoga as a health and fitness tool. Institutions like *Patanjali Yogpeeth* and retail chains teach yoga and sell *ayurvedic* products. Yoga is now taught in Indian schools and the numbers of yoga instructors is increasing. Yoga does not require any special dress or equipment. However, some foreign brands like Adidas have introduced special yoga mats.

5.5 Other Sports/Activities

There are other sports like skiing, yachting and ice-skating that fall under adventure sports. In India, only a few people pursue these as competitive sports. These are linked to the tourism industry and government initiatives for these sports are limited to

tourism generation. There is limited promotion of these activities at the national and international levels.

6. Sports Retail: The Survey Findings

The survey found that sports retail constitutes a very small part of the total retail market. However, the share of corporate/organised sector retail in total sports product retail is around 30 per cent. This is much higher than the share of the organised/corporate sector in total retail (around 6 per cent). The reason for this rapid modernisation is that during the past decade, a number of foreign brands and Indian corporates forayed into sports retail.

A bulk of the Indian sports product market is accounted for by sports shoes, which account for around 60 per cent of the total sports products market. The premium branded sportswear market is around Rs. 40-50 billion and Reebok accounts for around 50 per cent of this market. Nike accounts for between 15 and 20 per cent, Adidas for between 20 and 25 per cent and the remainder is held by Puma, Lotto and some large Indian brands. The presence of corporate retailers varies across different sub-segments of sports, namely, equipment, shoes, apparel and accessories. They have a large presence in the shoe and watch segment, followed by apparel. In the sports goods/equipment segment, there are a few corporate retailers and the bulk of the business is with traditional, small, family-owned shops. Corporate retailers are more likely to sell high-value, technology oriented products; traditional family-owned outlets sell low-cost, fast selling products such as skipping ropes, inflated balls and cricket bats. They also sell foreign brands like Wilson, Yonex and Dunlop Sports.

The survey found that a few branded sports retailers like Reebok, Nike, Adidas, Puma, and Lotto operate across all segments including equipment, apparel, shoes and accessories. There are a few Indian multi-brand retailers, like Planet Sports owned by the Future Group and Primus Group, who have pan-India operations; they operate in both the retail and multi-brand outlet (MBO) formats. Planet Sports is the distributor for foreign brands like Etonic, Speedo, Wilson and Converse, whereas Primus Retail Limited is the franchisee for brands like Adidas, Reebok and Tommy Hilfiger; they have also opened multi-brand outlets. There are some large regional multi-brand retailers like Lodhi Sports in the NCR, which has around five stores in Delhi. Corporate retailers like ITC Wills Lifestyle have also brought out an exclusive sports range, namely, Wills Lifestyle Sport along with their lifestyle products. Apart from these, retailers like Woodland by Aero Club have positioned themselves as adventure sports and lifestyle brands. Due to the FDI restriction, only Indian companies are multi-brand retailers. Most of the single-brand retailers with exclusive stores and pan-India operation are foreign brands with wholly owned subsidiaries in India.

Sports retailers are operating through various formats. Franchisee is the most common mode of operation for brand retailers such as Reebok, Adidas, and Puma, as it helps

them increase their retail footprint. Corporate retailers operate simultaneously through exclusive brand outlets, shop-in-shop with department stores/multi-brand retailers, factory outlets, and discount stores. The product categories and different store formats are given in Table 6.1. Each format has its advantages and disadvantages. For instance, while exclusive outlets give better brand visibility, footfalls are higher in department stores. Department stores are increasingly setting up separate sections for health and fitness, which provides opportunities for sports brands to display their products. The factory outlets attract price conscious Indian consumers and help sell outdated designs. The location of the shop is important. During the interview, it was pointed out that the high streets give better brand visibility than shopping malls, but the cost of real estate in premium locations is much higher. Factory outlets, on the other hand, are located in the outskirts but consumers are willing to travel for the lower prices.

Table 6.1: Sports Products and Some Common Retail Formats

Product Category	Common Retail Formats
Sports Equipment	Multi-brand sports outlets, department stores, exclusive single-brand outlets, factory outlets, traditional family-owned outlets, e-retailing (or selling through the Internet), telemarketing and direct selling.
Sports Apparel	Exclusive single brand outlets, department stores (through shop-in-shop arrangement), discount stores and factory outlets.
Sports Footwear	Multi-brand footwear retailers, exclusive single-brand outlets, factory outlets, department stores, discount stores, and traditional retailers.
Sports Accessories	Exclusive single brand outlets, department stores, multi-brand stores for products like sunglasses and watches and chain retailers.

Source: Compiled by authors from the survey

Non-store formats are common in sports product retailing. For instance, Reebok operates through both store and non-store formats. The non-store format is growing in India and so is the importance of internet retailing. In 2009, about 48 per cent of the internet users shopped through this mode.³⁹ Brands that do not have a retail presence but are renowned can be purchased through internet retail sites like eBay and rediff.com. Direct marketing and teleshopping is also common for products like fitness equipment.

³⁹ <http://www.itu.int/en/pages/default.aspx>

Foreign brands such as Adidas and Lotto have had a presence in India for a long time in the footwear segment through multi-brand retailers like Bata. Hence, these brands were known even before they formally entered India through exclusive outlets. Normally, brands enter India through multi-brand outlets and gradually establish a presence through exclusive brand outlets once the Indian consumers become aware of the brand. The survey found that foreign brands have entered the Indian market through multiple routes. For instance, Nike initially entered the market in 1995 under an exclusive seven-year licensing agreement with Sierra Trading Enterprise; in 2003, it established a wholly -owned subsidiary. Brands such as Reebok, Puma and Adidas have wholly owned subsidiaries in India. They source products from India both for domestic and foreign markets and have an integrated operation encompassing sourcing, distribution and retailing. Since they are incorporated in India, they are considered to be Indian companies. Others, like Technogym, has entered through a distribution agreement, whereas Lotto entered through a licensing agreement, which gave it the right to manufacture, source locally and distribute products. Some retailers are entering through joint ventures – for instance, Dama S.p.A. has a 50:50 joint venture agreement with Reliance Brand for their brand Paul & Shark. Others, like Lacoste, enter through franchisee agreements. Some have a mixed model of licensing and distribution agreement or franchising and distribution agreement.

Since India does not have any strong domestic brands, foreign brands are doing well and have been able to expand their presence at a rapid pace. For instance, Reebok set up a wholly owned subsidiary in 1995 and the company is now present across 265 cities with around 500 exclusive stores, 200 shop outlets and 2,500 dealer outlets.

In spite of the presence and rapid expansion of foreign brands, the Indian market is not saturated in terms of brand presence. Indian manufacturers work for a large number of global brands but all those brands are not available in India. For example, Speedo is the only foreign swimwear brand in India. Moreover, some of the strong Indian brands do not have an integrated retail presence. For instance, Shiv Naresh is a popular Indian brand catering to many national and international sports events but it does not focus on setting up branded outlets. Some of the well known Indian brands are largely sold through traditional retailers. Moreover, since approval of international federations are required for use of the sports equipment in international and national level sports events, foreign brands are more likely to be used than domestic brands (since they have the approvals). The survey found that unlike Indian brands, foreign brands have better bargaining power.

The preferred partners for foreign retailers/brands are established Indian business houses, well-known franchisers, and companies with proven sports distribution capacity such as Sports Station India Private Limited and Planet Sports. Very few like Kappa have tried to partner with players who do not have a proven record in sports retailing, and they have not been very successful.

Most sports brands have positioned themselves as sports-cum-lifestyle brands. Although Indian consumers are less oriented towards sports, the failure to associate with a sport may adversely affect the retail of the brand. In fact, brands like Kappa, which had positioned themselves only as lifestyle products, have not been very successful in India while others like Puma, which have positioned themselves as both sports and lifestyle products, have been successful. An association with a sports event is the key to the success of a sports brand and, therefore, the retail of that brand in India. Successful brands like Reebok, Nike, Puma and Adidas have associated themselves with popular sports like cricket. Some international players are working closely with federations and sports development at school, colleges, clubs etc. For instance, in the past, Indian brands had a dominant position in the school shoe market but now foreign brands like Reebok have entered this segment. This is an important segment for volume sales. Of late, there has been an increase in brands for sports like golf and motor sports; examples are Callaway (Golf) and Ferrari (Motor Sports). The survey found that most successful brands have carefully planned their brand positioning, sports sponsorship, pricing and selection of Indian partner. The Indian franchisee partner is carefully selected on the basis of a sound financial background, experience in the trade, and ownership of shops in prime locations. The parent company provides training to the franchisee and their employees.

All successful foreign brands in India have re-oriented their products to meet local tastes and preferences; for instance, since Indians have broader feet in front than Europeans, Reebok has customised its footwear for Indian consumers. To cater to the niche market, Reebok also associates with designers from the National Institute of Fashion Technology (NIFT), Footwear Design Institute and famous designers like Manish Arora to design their product range, generate niche products and become competitive.

The Indian market is also unsaturated in terms of retail spread. The bulk of corporate retailers are concentrated in large cities but established players such as Reebok and Adidas are now penetrating Tier II and Tier III cities, while relatively new players like Lotto are planning to expand beyond metropolitan cities. The growth of sports retail in Tier II and III cities has been propelled by the establishment of IT and other companies in these cities, development of housing complexes with facilities for sports like swimming and tennis and the development of malls, which has increased sports awareness. However, the penetration of sports retailers in smaller cities is somewhat restricted because of poor availability and access to sports infrastructure. The survey also found that “right-pricing” of the product is important for penetration beyond metro cities. Companies like Reebok and Adidas have designed right-pricing policies, as a result of which they saw an increase in sales of over 70 per cent in semi-urban areas.⁴⁰

⁴⁰ Images (2009)

Table 6.2: Selected Cities and Opportunities for Corporate Sports Retail

Modern retail	Cities
Mature and Transitional	Delhi/NCR, Mumbai, Bangalore, Kolkata, Hyderabad, Chennai, Pune, Ahmedabad
High-growth cities and Growing Opportunity	Chandigarh, Ludhiana, Jaipur, Lucknow, Kochi, Vadodara, Surat
New and Emerging	Indore, Amritsar, Jalandhar, Nasik, Bhubaneswar, Agra, Coimbatore, Kanpur, Nagpur, Goa
Nascent – will take some time to grow	Jodhpur, Patna, Rajkot, Aurangabad

Source: Compiled by authors from the survey

When asked about the Indian market for sports products, most retailers pointed out that the market is nascent but the market will grow at the rate of 20-25 per cent in the current year. Indian society is changing and consciousness about health and fitness is increasing, but the level of sports participation is low, which limits the size of the sports retail market, especially the equipment market.

The retailer survey provided some interesting insight into consumer behaviour. It showed that Indian consumers are price-conscious. The highest and lowest price ranges of different brands and their fast-selling sports products are listed in Table 6.3. The table shows that fast-moving products tend to be in the lowest range. Table 6.4 further shows that foreign brands in India are positioning their products at similar price ranges as Indian brands to cater to price conscious consumers. For this, almost all established brands source most of their products from India. Brands like Reebok, Adidas and Puma work through contract manufacturing and only high-end specialised products are imported. Both single and multi-brand retailers pointed out that the fast-moving products in apparel are shorts, track pants and T-shirts, while in shoes it is running shoes, and in equipment it is light weights, skipping ropes, cricket bats, footballs, etc. The survey also found that Indian consumers increasingly prefer to buy all products under one roof and this gives an opportunity to large multi-brand retailers. India is not a homogenous market and consumer behaviour varies across regions and even cities. For instance, in cities like Chennai and Kolkata, Indian brands are preferred over foreign brands for sports products like cricket equipment, while in Delhi and Mumbai, foreign brands are preferred.

Table 6.3: Fast-Moving Sports Products and Prices of Select Foreign Brands

Brand/Product Category	Model	Price (in Rs.)	Type
Reebok			
Fitness shoes	Road Plus KFS VI	3999/- (low)	Fast-moving
	Veron	7999/- (high)	
Running shoes	Road Plus KFS VI	3999/- (low)	Fast-moving
	DMX Alta	13,999/- (high)	
Cricket Bats	Big Six	4999/- (low)	Fast-moving
	Skipper English Willow	11,999/- (high)	
Basketballs	VR-1000	650/-	Fast-moving
Lifestyle fast-moving products	Playdry T-Shirts	799/-	
Nike			
Football shoes	Total 90	6999/- (low)	Fast-moving
	Tempo	14,999/- (high)	
Cricket shoes	Total90	7000/- (low)	Fast-moving
	Tempo	18,999/- (high)	
Footballs	LX-150	999/-	Fast-moving
Lifestyle fast-moving products	Training category T-Shirts	1595/-	
Adidas			
Football shoes	AdiNova	4899/- (low)	Fast-moving
Basketball shoes	Turbo60	11,999/- (high)	
Golf shoes	Powerband	14,999/- (high)	
Football shoes	Gladiator	999/- (low) to 2499/- (high)	Fast-moving
Lifestyle	Agora sports shoes	2599/-	Fast-moving
	Polo T-shirts	699/-	
Puma			
Cricket shoes	M20	5500/- (low)	Fast-moving
Football shoes	Damper 2	10,000/- (high)	
Cricket bats	Gilchrist	1199/- (low)	Fast-moving
	Vendetta	15,999/- (high)	
Lifestyle fast-moving products	Ferrari shoes	3999/-	

Source: Compiled by authors from survey

Note: Prices indicates the highest and lowest prices.

Retailers pointed out that men are the main customers of sports brands, but of late, many branded retailers such as Reebok, Puma and Nike are trying to attract women customers through exclusive women's outlets, visible positioning of women's merchandise, etc. Children are important consumers of sports products – they usually

Table 6.4: Retail Goods: Brands and Pricing

City	Cricket Bats			Footballs			Lawn Tennis Racquets					
	Major brands	Ownership	Price range of some fast moving brands (In Rupees)	Major brands	Ownership	Price range of some fast moving brands (In Rupees)	Major brands	Ownership	Price range of some fast moving brands (In Rupees)			
Mumbai	Reebok	Foreign	1000-1500	Adidas	Foreign	500-1000	Wilson	Foreign	500-800			
				Cosco	Indian	400-500	Dunlop Sports	Foreign	500-1000			
	Bharat	Indian	500-1000	Nivia Sports	Indian	150-200						
	HMA Lion Sports	Indian	200-500	Globe Sports	Indian	400-500	Pioneer Sports	Indian	800-2000			
Chennai	Reebok	Foreign	1000-1200	Cosco	Indian	300-400	Wilson	Foreign	300-700			
	S.G.	Indian	1200-1700	Nivia Sports	Indian	100-150	Jonex Sports	Indian				
	B.D.M	Indian	1000-1500	Spartan	Foreign	400-600	Yonex	Foreign	650-800			
	S.S.	Indian	1200-1600				Cosco	Indian				
Kolkata	S.S.	Indian	1000-1400	Cosco	Indian	270-500	Head N.V.	Foreign	2000-3500			
	S.G.	Indian	1000-1500	Nivia Sports	Indian	250-450	Wilson	Foreign	1500-4000			
	B.D.M	Indian	900-1200	Jonex Sports	Indian	700-800	Babolat	Foreign	2000-4000			
	G.M.	Indian	2200-2400	Adidas	Foreign	700-800	Yonex	Foreign	600-700			
Delhi	BDM	Indian	750-1500	Victor Sports	Foreign	145-250	Cosco	Indian	400-600			
				Cosco	Indian	200-350				Wilson	Foreign	800-1500
				Sierra Sports	Foreign	150-400						

Source: Compiled by authors from survey

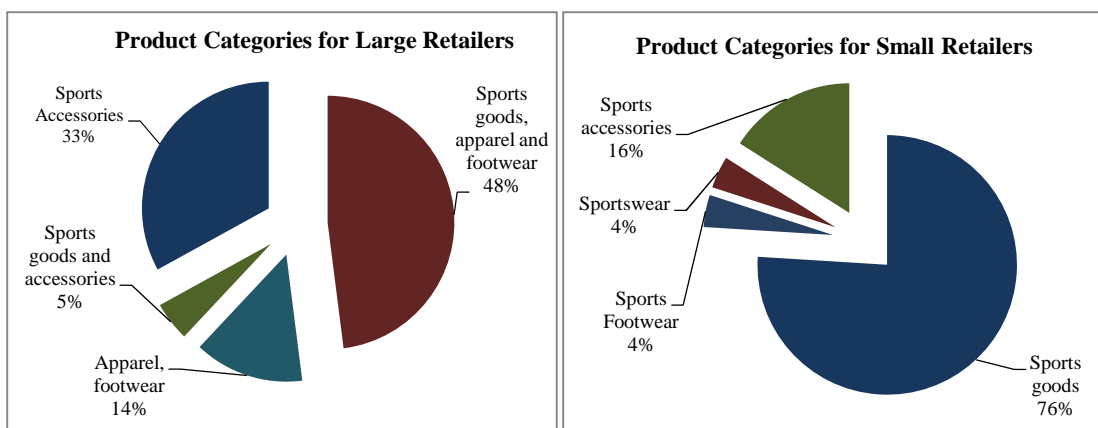
start using the product as part of their sports and then develop brand loyalty. This brand loyalty stays with them throughout their life. Reebok has come up with exclusive children’s stores and kid’s school shoes to cater to the younger section of the population. Since the younger section of the population is growing in India while the population in many western countries is ageing, western sports retailers are of the opinion that India will be one of the fastest growing markets in future.

Overall, the survey found that both Indian corporate and foreign companies are still experimenting with the Indian market and are learning from their failures. For instance, Reebok started a knitted *salwar kameez*, which did not succeed while Puma was not very successful in selling golfing equipment.

6.1 Small/Traditional versus Large/Corporate Retailers

The survey found both similarities and differences between family-owned traditional retailers and corporate retailers.⁴¹ Corporate retailers tend to be large retailers that operate across all product segments, while traditional retailers are smaller and concentrate on the sports goods segment (Figure 6.1.1). Both market domestic and foreign brands. Since most corporate retailers entered the retail segment after 1995, the outlets are relatively new. While corporate retailers are most likely to have leased property (76 per cent), traditional retailers are mainly shop-owners (66 per cent). Small family-owned retailers have a good relationship with their customers, 55 per cent of whom are regular customers and this gives them an edge over large retailers. Some corporate retailers like Adidas have come up with loyalty cards to lure/retain customers. Unlike corporate retailers, traditional retailers can give consumer benefits like purchase on credit due to their interpersonal relationship.

Figure 6.1.1: Comparison of Large and Small Retailers by Product Category



Source: Compiled by the authors from survey

⁴¹ It is important to note that traditional business is generally small than corporate retail. However, some traditional retailers can have more turnover than corporate retailers.

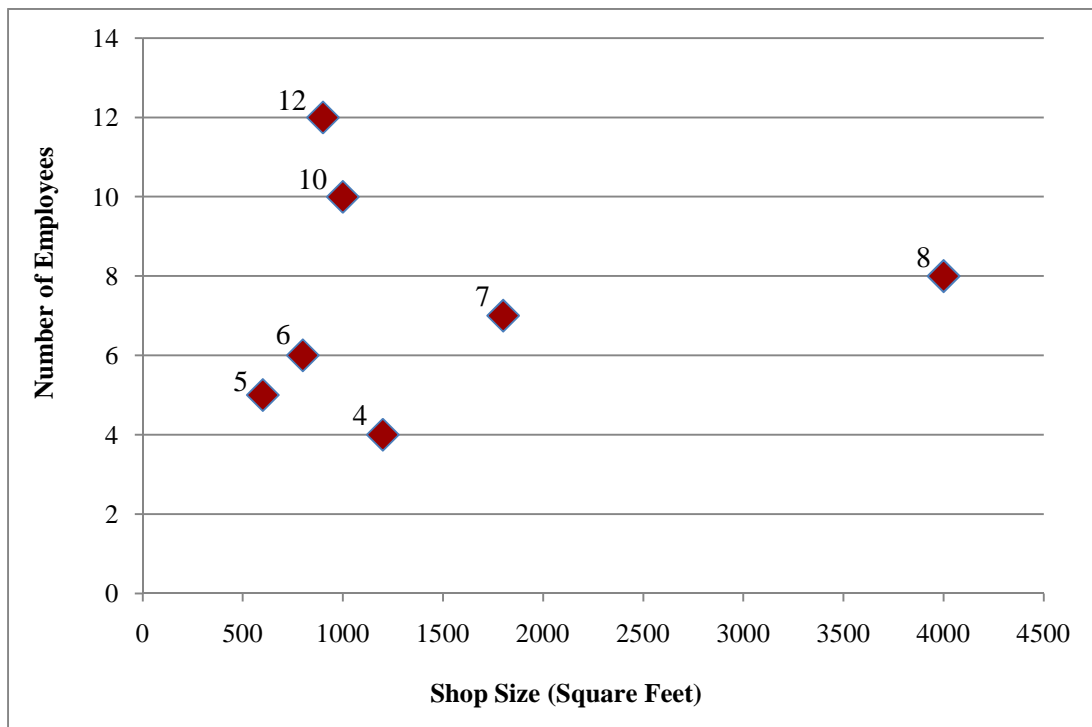
For large retailers, better infrastructure and catchment area determine the location of their outlets, whereas most traditional retailers are located in prominent shopping areas. The neighbourhood *kirana* concept is not common, unlike in food and grocery retailing. Since the product is niche, both traditional and modern retailers have to analyse their catchment area and understand their consumers. In fact, some traditional retailers have better knowledge about their consumers. Some large retailers conduct feasibility studies, while others operate on a trial-and-error basis. A comparison of large and small retailers is given in Table 6.1.1. The average number of employees by store size is given in Figure 6.1.2. As expected, the use of technology is more among corporate retailers. Technology such as bar coding is an integral part of corporate retail operation. Use of IT for inventory management, sourcing and setting up of supply chain is common among the corporate retailers.

Table 6.1.1: Comparison of Large and Small Retailers: Survey Findings

	Small Retailers	Large Retailers
Average shop size	900 sq ft	1200 sq ft
Average working hours	10 hours/ day	10 hours/ day
Average length of business	30 years	9 years
Average yearly turnover	Rs. 3 million	Rs. 3.4 million
Consumer profile (average age)	20-50 yrs, mainly middle-income & some high-income groups	18-40 yrs, mainly high- and middle-income groups
Expansion plans	Introduce more products (23 per cent)	More stores (47 per cent); more products (33 per cent); more brands (24 per cent) and technological upgrading (9 per cent)
Location	Popular shopping areas	Better infrastructure and catchment area determine outlet location
Major competitors	Large retailers	Other large retailers (Reebok, Nike, Puma or similar brands)
Minimum qualifications of employees	Class 9 or 10	Class 12
No. of employees in past 5 years	Remained the same in all	Remained the same in 76 per cent; increased in 14 per cent; decreased in 9 per cent
Peak/off-peak season	Peak season is summer; off-peak season is winter	Peak season is summer; off-peak season is winter
Products	Both branded and non-branded; 16 per cent of the brands are imported	Only branded
Source of finance	Bank loans and retained earnings (profits)	Bank loans, profits and equity funding
Training	50 per cent provide staff training on handling customers and products	100 per cent provide staff training on customer handling, product knowledge, personality development, shop management

Source: Compiled by the authors from survey

Figure 6.1.2: Average No. of Employees by Store Size



Source: Compiled by the authors from survey

6.2 Distribution Chain and Product Sourcing

An efficient distribution chain is crucial for the success of a retailer. This section analyses the distribution chain in India; more specifically, it looks at intermediaries like wholesalers, distributors, importers and the manufacturers. The intermediaries link the manufacturers to the retailers.

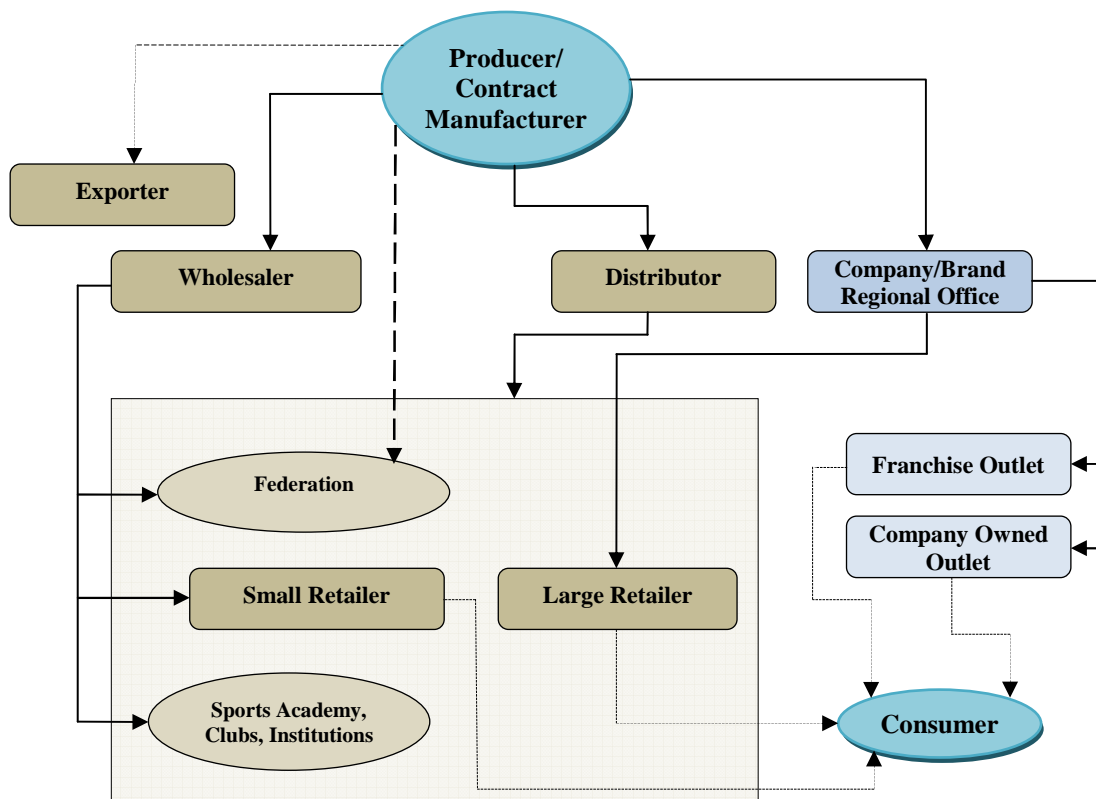
In India, the distribution chain is highly fragmented with numerous intermediaries. In the past, wholesalers had a dominant position and most small retailers sourced their products from wholesalers. The difference between wholesalers and distributors is given in Figure 6.2.1. Distributors appointed by companies also supply to small retailers but they largely work with large retailers. As shown in Figure 6.2.2, the sourcing chain for corporate and small retailers is different. The survey found that over 50 per cent of distributors and around 10 per cent of wholesalers work with large retailers. Distributors focus more on brand marketing than wholesalers. By working with distributors, large retailers have been able to reduce the number of intermediaries. This has improved the earnings of both manufacturers and retailers and consumers are getting a better price for the products. The distribution chain for imports is given in Figure 6.2.3. It is important to note that, for large retailers, their regional office plays an important role in product sourcing. Manufacturers work closely with these regional offices.

Figure 6.2.1: Differences between Wholesalers and Distributors

Wholesalers	Distributors
<ul style="list-style-type: none"> Wholesalers procure products from Distributors/ Manufacturers/ C&F Agents. Security is not required (unlike the case of distributors). Legal documents (except bill of transaction) are not required. Wholesalers are not accountable to anybody; they need a wholesale outlet. 	<ul style="list-style-type: none"> Distributors (as sales agent) are appointed by the company They deposit security with the company. There is a legal contract between the company and distributor: the company gives a sales target and other necessary support, allocates the distribution zone, etc. Distributors have the power to make sales schemes and promotional activities. Distributors are accountable to the company. Distributors have to provide an office and other logistics support as per the requirements of the company.

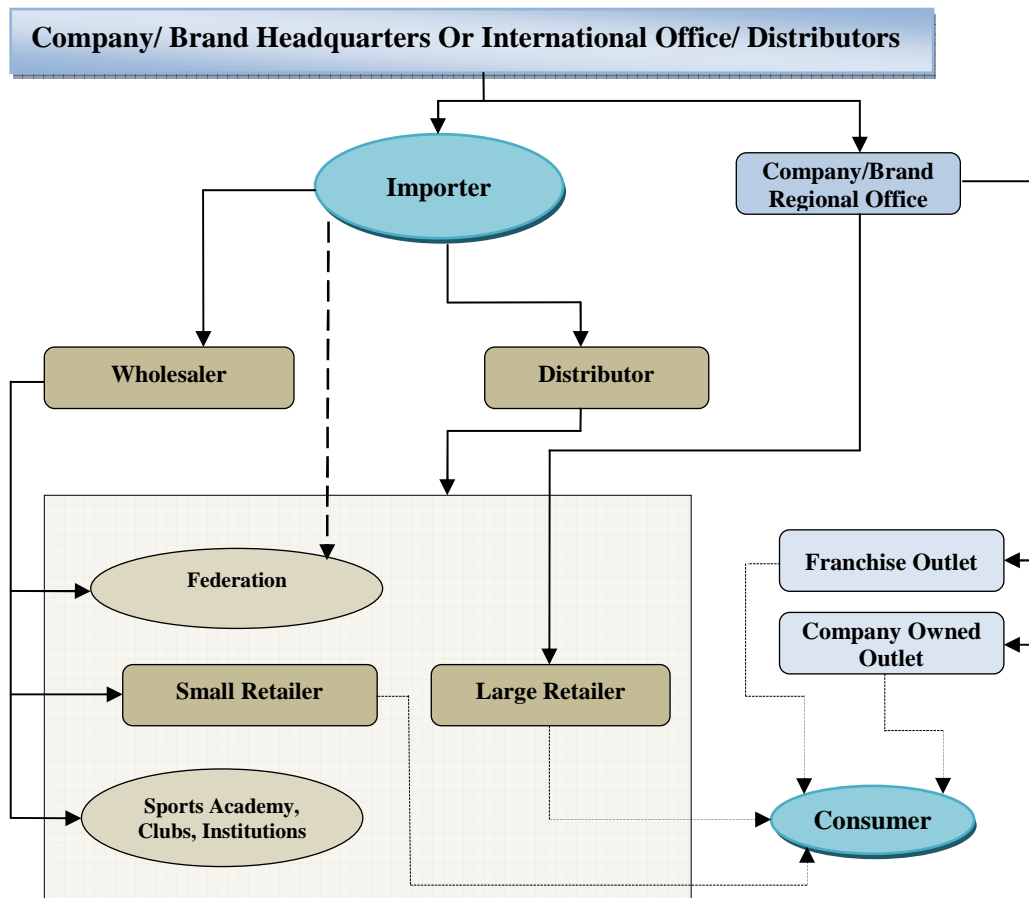
Source: Compiled by the authors from survey

Figure 6.2.2: Distribution Chain in India for Domestic Production



Source: Compiled by the authors from survey

Figure 6.2.3: Distribution Chain for Imported Products



Source: Compiled by the authors from survey

The survey found that both corporate and traditional retailers source most of their products domestically. In fact, many foreign retailers have been sourcing products from India even without a retail presence in the country. As mentioned earlier, India is a manufacturing hub for sports equipment, apparel and shoes. For a retailer, it is important to know who they are sourcing products from, where they are located, what their strengths and areas of specialisation are. Some of these are discussed below:

6.3 Sports product Manufacturing

The sports goods manufacturing industry is over a century old and has been growing at an average annual rate of around 10-12 per cent in the past five years. This is a labour-intensive sector and occupies a prominent place in government policies for its contribution to employment, especially of unskilled and semi-skilled workers. It is an export-oriented industry. In the past, around 60 per cent of the production was for the export market, but in recent years, domestic demand has increased and now only around 40 per cent of the production is for export. The increase in the share of the domestic market indicates that (a) sports retail market is growing (b) the Indian

manufacturers now need to focus on the domestic market. This has strengthened the relationship between Indian retailers and manufacturers and made them interdependent.

Sports manufacturing in India is largely through Small and Medium Enterprises (SMEs) and is spread across the country with different regions specialising in specific products (Table 6.3.1). The companies largely operate on a contract manufacturing basis (around 30 per cent of manufacturing is contract manufacturing). For instance, Moja Shoes Private Limited does contract manufacturing for brands such as Reebok, Nike and Puma. In all, around 318 sports equipment are manufactured in India – these include inflatable balls, various types of racquets, shuttlecocks, cricket equipment, boxing equipment, hockey sticks, etc. However, many of these are not sold in the domestic market. Cricket equipment has the largest share (around 70 per cent) among goods manufactured for the domestic market. Sports apparel like cotton T-shirts cater to both domestic and export markets. Retailers source most of the low-end footwear domestically. High-end footwear and technology-intensive equipment are imported. At present, India is importing products like gymnastic and athletic equipment, golf clubs and specialised sports shoes from countries like China, the US, Taiwan and Italy. Accessories and raw materials like PVC soles, PVC/PU for football and rubber are imported from countries like China, Thailand and Malaysia.

Table 6.3.1: Manufacturing Clusters in India

Cluster	Sports Product
Jalandhar	Inflatable balls, badminton racquets, shuttlecocks, cricket and hockey equipment, protective gear, swimwear, skating equipment, etc.
Meerut	Cricket and boxing equipment, badminton racquets, athletics and gymnastics, swimwear, inflatable balls, hockey, tennis, skating equipment, etc.
Ludhiana	Bicycles, hiking and mountaineering equipment
Bangalore	Sports apparel
Moradabad	Sports shields, trophies, cups, etc.
Delhi	Sports goods, apparel, shoes, kit bags, skating and ski equipment, hiking and mountaineering equipment, swimwear, etc.
Chennai	Sports apparel, footwear and some goods
Kolkata	Sports apparel, fishing equipment and shoes
Agra	Sports shoes
Mumbai	Sports apparel, bags and kits, trophies and cups, ski equipment, hiking and mountaineering equipment, swimwear, etc.
Pune	Skating equipment
Tirupur	Sports apparel, including ski apparel

Source: Compiled by the authors from survey.

Note: Jalandhar and Meerut account for around 75-80 per cent of the country's sports goods production.

The survey found that Indian companies manufacture for a large number of foreign brands including Reebok (Germany), Puma (Germany), Lotto (Italy), Nike (US), Adidas (Germany), Fila (Italy/Korea), Rawling (US), Dunlop (Australia) and Spalding (US). The number of foreign brands sourcing from India has increased in recent years. This has increased knowledge about Indian manufacturing and the domestic market among foreign retailers. Indian companies are also trying to diversify into new product categories like ski equipment (which has limited demand in the domestic market) and golf balls (largely exported to countries like Germany). During interviews, manufacturers and retailers pointed out that technology is percolating down from brands/foreigner retailers to Indian manufacturers. Manufacturers are sometimes sent abroad to learn the requisite technology (for example, Nike). Reebok was among the first to enter India and the biggest challenge for the brand at that time was to upgrade factories and provide them with appropriate technology and training. Many Reebok contractors re-equipped their factories and upgraded the technology to meet Reebok's requirements. Some clients like Nike strictly monitor quality, environmental, labour and other standards. Thus, the entry of foreign retailers has helped manufacturers to upgrade and attain global standards.

The interviews with manufacturers also showed that around 76 per cent of their clients are fixed clients. Since Indian manufactures have worked with many foreign brands present in India, they know their clients well. Brands, which have a retail presence in India, and large retailers source through their local/regional sourcing offices. Foreign brands source through their local offices, buying agents, etc. Often contacts are established on-line and bidding for the contract is through the Internet.

Most manufacturers rated foreign brands better than Indian brands in terms of technology and quality. When asked about the factors that contribute to their growth, all the manufacturers emphasised quality and the relationship with their clients. Although the domestic retail market is growing, they somehow attached less importance to it when they were asked to list the factors affecting their growth (Table 6.3.2). This may be because a number of brands that they manufacture are not sold in India. Besides, they seem to give less importance to technological upgrading, despite the fact that they have actually undertaken some form of technological upgrading.

Table 6.3.2: Factors Contributing to Manufacturers' Growth

Factors	Per cent
Quality	100
Relationships with clients	100
Contracts from international sources	60
In-house development of new technology	48
Installation of new machines	40
Contracts from domestic sources	38
Promotional activities	10
Foreign technical collaborations	10

Source: Compiled by the authors from survey.

When asked whether FDI should be allowed in multi-brand sports retailing, manufacturers argued that it would help the domestic market grow. With the global slowdown, manufacturers who use to focus solely on exports, are now looking at the domestic market. Respondents pointed out that the growth of organised retail in India has helped mitigate the adverse impact of the global slowdown. Some manufacturers also pointed out that some of their export markets such as the US and EU were getting saturated and hence they have to focus on new markets and the domestic economy. If FDI allowed in retail, foreign brands would focus on India and this would, in turn, increase their sourcing from India. Citing the example of China, they argued that it would raise awareness of India as a sourcing hub and, therefore, sourcing from India. The presence of foreign retailers would increase product awareness, use and percolation of technology. At present, there is a shortage of technology in India. The country is more competitive for labour-intensive products; however, India is facing tough competition from countries like China, which have better technology. For instance, India is good for manufacturing hockey sticks made of wood, but China has competence in hockey sticks made of graphite and other composite alloys, which are lighter and more durable. Some Indian companies use graphite, but they lack the technology for one-piece, composite sticks. The bulk of the fitness equipment used in India is imported from China and Taiwan.

When asked if imports would increase with the advent of foreign retailers, manufacturers argued that retailers in India – whether foreign or domestic – would have to source most of their products domestically if they cater to price-sensitive consumers. If retailers depend solely on imports, they cannot enlarge their customer base. They further pointed out that growth of corporate retailers has led to the growth of interlinked sectors like fashion industry. In fact, most large retailers and their manufacturers work closely with fashion designers. They believe that foreign retailers will have to customise their products for the Indian market and there will be scope for technical and design collaboration.

Retailers, on the other hand, pointed out that manufacturing industry in India is highly fragmented, unlike in countries like Pakistan where it is more horizontally integrated. In Pakistan, sports goods, apparel and footwear manufacturing units are located close together, whereas in India they are spread across the country. Moreover, in India, there are separate export promotion councils under different ministries for sports goods, apparel and shoes and there is no co-ordination among these councils and/or their members. The size of Indian companies is small compared to Chinese companies and they are less-technology intensive. Retailers sourcing from Indian manufacturers often have to give the requisite technology to their producers.

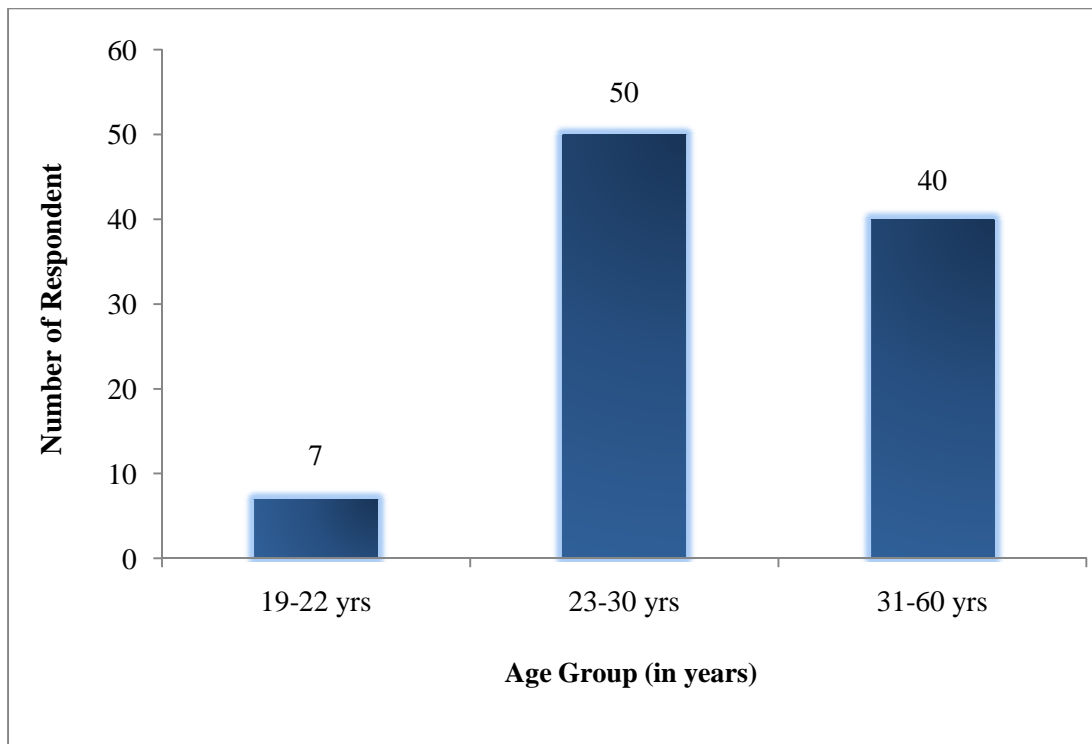
6.4 Consumers

A small survey of 200 Indian consumers was conducted to understand their preferences for sports products, shopping behaviour, etc. It covered high and high-middle income,

educated consumers and is by no means a representative sample of the total Indian population. However, it gives some interesting insights into the shopping behaviour of bulk of the users of sports products. In India, only around one per cent of the population buy sports products and the sample was drawn keeping in mind the key characteristics of that population. Since the purpose of this study is to understand brand presence, brand consciousness, shopping behaviour in traditional and modern retail, the survey covered Tier I and some smaller cities (Delhi, Mumbai, Kolkata, Chennai, Hyderabad, Bhubaneswar and Surat). The key characteristics of the sample in terms of the age, sex, qualification, occupation and ownership pattern is given in Tables D1 to D5 in Appendix D. Existing studies show that young males are the primary consumers of sports products and this sample has taken that into account.

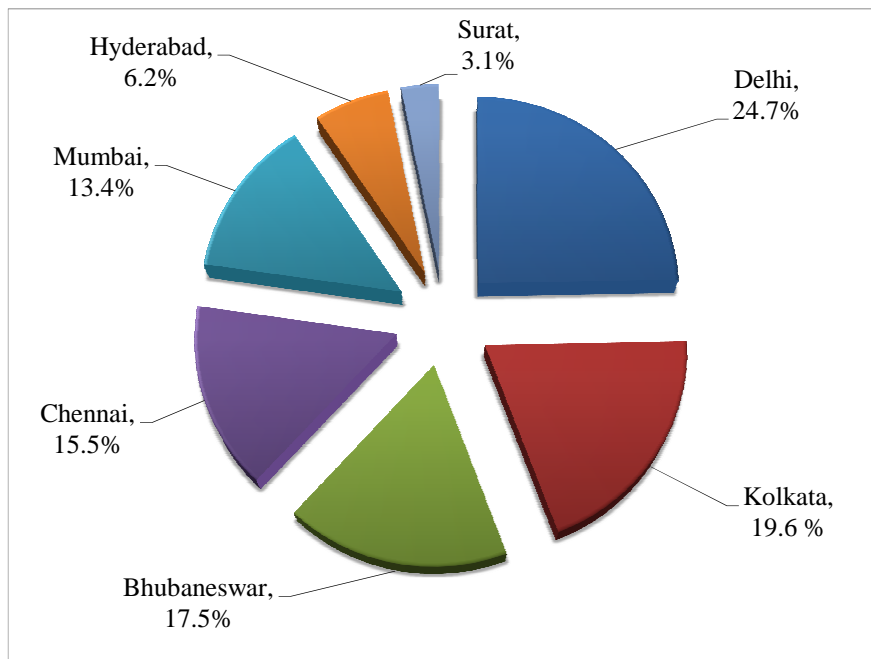
The survey found that of 200 consumers, only 97 (48.5 per cent) claimed that they have bought a sports product (which can either be sports equipment, apparel, shoes or fitness goods or more than one of these products). Others may have bought it but as a lifestyle product and not as a sports product. The majority of the sample who bought sports products was male (81.4 per cent). The age group of the sample is given in Figure 6.4.1. Around 45 per cent of the sample were office executives, which shows that people working in the corporate sector are more likely to buy sports products. The respondents are largely located in metro cities (Figure 6.4.2)

Figure 6.4.1: Consumer Age Groups



Source: Compiled by the authors from survey.

Figure 6.4.2: City-Wise Consumers' Spread



Source: Compiled by the authors from survey.

Table 6.4.1 shows that consumers are more likely to buy sports shoes followed by sports apparel. Sports products are generally bought on an annual basis and most of the respondents prefer to buy them from exclusive outlets. Only a few consumers buy fitness goods and that too is occasional. Although retailers pointed out that they have peak and non-peak seasons, consumers pointed out that products are purchased whenever required. However, the actual purchase behaviour shows that consumers buy sports products like shoes during off-season discounts when they get a lower price.

Table 6.4.1: Buying Patterns for Sports Goods

Product Category	Total Number of Respondents who buy products	Number of Respondents who buy the products		Frequency of Purchase (Per cent share)				Store format (Per cent Share)			
		Branded	Non-branded	Yearly	Half-yearly	Quarterly	Occasionally	Mall	Exclusive branded Outlet	e-marketing	Other
Sports Apparel	58	57	1	41 (71)	14 (24)	1 (2)	2 (3)	21 (36)	36 (62)	-	1 (2)
Sports Footwear	77	77	-	55 (71)	17 (22)	2 (3)	3 (4)	22 (29)	55 (71)	-	-
Sports Goods	45	45	-	36 (80)	4 (9)	-	5 (11)	12 (27)	25 (56)		8 (18)
Fitness Goods	13	5	8				13 (100)	3 (23)	6 (46)	1 (8)	3 (23)

Source: Compiled by the authors from the survey.

Note: The calculations are based on the sample of 200; the percentages are given in parentheses.

Overall, consumers are happy with the proliferation of brands and expressed willingness to experiment with different brands. The most commonly used brands are given in Table 6.4.2, which shows that foreign brands are preferred in sports apparel and footwear while there are some Indian brands in sports equipment. The survey found that the level of sports participation and knowledge of global brands in niche sports like skating, skiing and yachting is limited. Indian consumers follow certain sports like tennis, golf and football apart from cricket and have developed brand knowledge by watching international sports events, reading sports magazines and newspaper etc. During the survey it was pointed out that it takes a brand around five years to get visibility.

Table 6.4.2: Brands that are Most Frequently Purchased

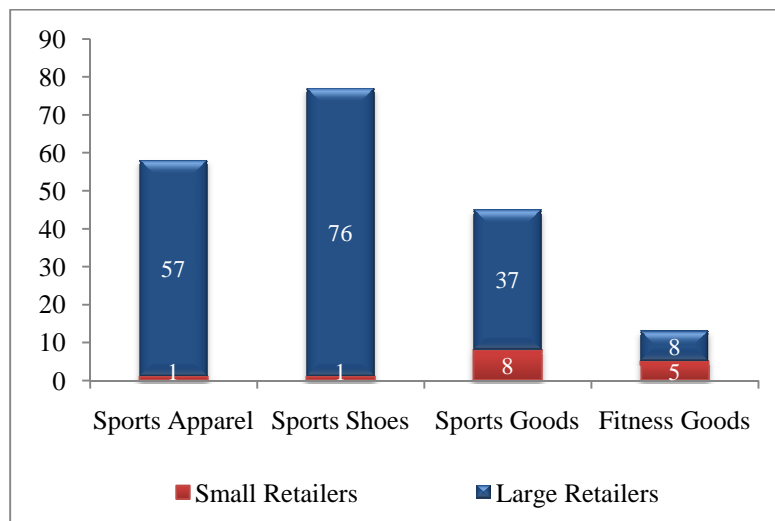
Product	Brand
Sports apparel	Adidas, Reebok, Nike, Puma and Nivia Sports.
Sports footwear & shoes	Adidas, Nike, Reebok, Puma, Lotto Sports and Ace
Sports goods	Reebok, Yonex, Cosco, Adidas, Nike, Wilson, Puma, BDM, TSS, Dunlop Sports and Jonex Sports
Fitness goods	Aerofit

Source: Compiled by the authors from the survey.

Indian consumers are less aware of how to use the product than consumers in developed countries. The survey found that running shoes are often used for walking on the assumption that they will last longer than walking shoes. Besides, running shoes are sometimes used for different sports instead of sports-specific shoes. This may also be because (a) purchasing power in India is low and/or (b) since sports participation is often occasional, consumers do not want to spend on sports products. Consumers also pointed out that imported products have to be customised. For instance, in many European countries, football is played on soft ground while in India, it is played on hard ground and hence, the shoe has to be customised for Indian conditions.

The majority of consumers prefer to buy sports apparel and shoes from corporate/large retailers (Figure 6.4.3). Sports goods are purchased both from modern and traditional or small retailers. Fitness goods purchased from small retailers include light weights, skipping ropes, yoga mats, etc. while that from large retailers include more sophisticated machines like exercise cycles and treadmills. The survey found that sports shoe brands can be either Indian or foreign but outlets are largely corporate/modern retailers.

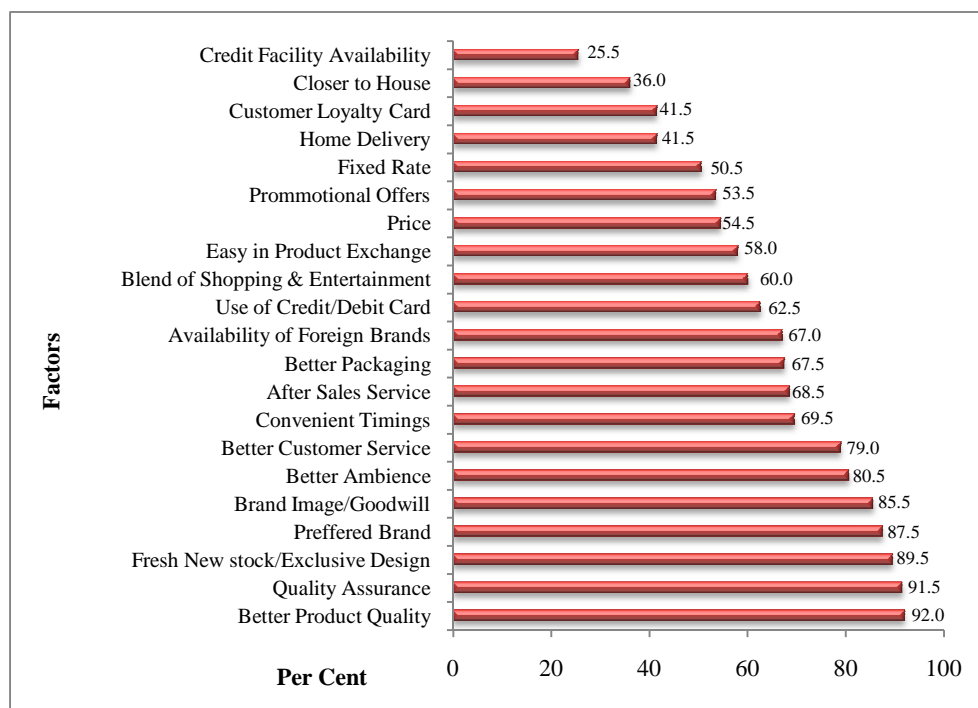
Figure 6.4.3: Where do you want to buy the product?



Source: Compiled by authors from the survey.
 Note: The calculations are based on sample of 200.

When asked what factors determined their choice of modern retail outlets *vis-à-vis* traditional outlets, most consumers cited better product quality, quality assurance, exclusive designs, brand preference and shopping ambience (Figure 6.4.4). Small retailers do have an advantage in terms of availability of credit facilities, proximity to customers and their relationship with customers.

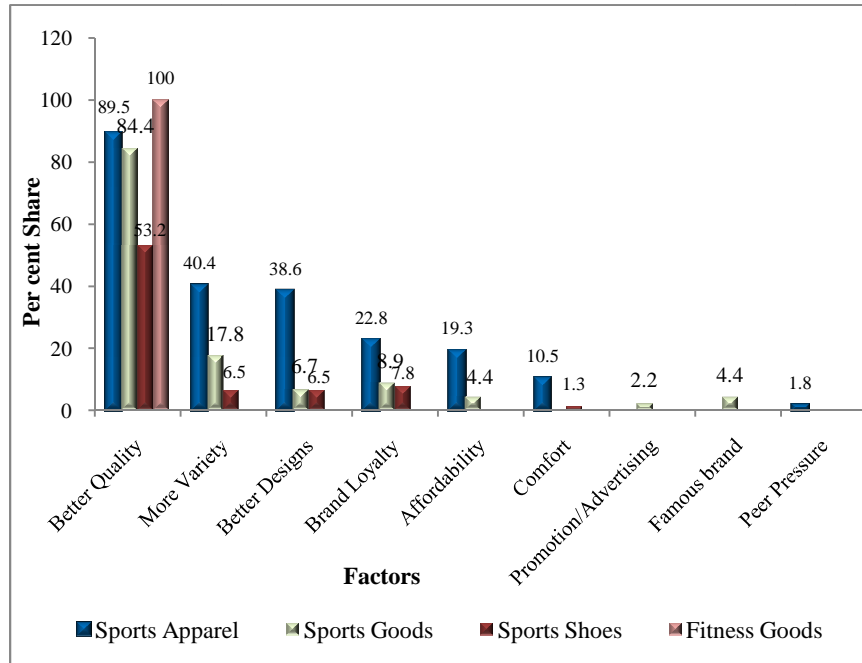
Figure 6.4.4: Factors Affecting Choice of Modern Retail Outlets



Source: Compiled by the authors from the survey.
 Note: (1) The calculations are based on sample of 200.
 (2) Scale of 1 to 5, higher is better. Percentage calculated on the basis of “high (4)” and “very high (5)” on factor importance ratings. This is a multiple choice question.

The most important factor determining the choice of brands is better quality. Branded products are seen as offering more variety and better designs, which are important especially in the case of apparel. Interestingly, peer pressure and advertisement did not have a good ranking.

Figure 6.4.5: Factors that determine choice of brands



*Source: Compiled by the authors from the survey.
Note: The calculations are based on sample of 200.*

7. Barriers to Sports Retail

Sports retail is a niche and complex segment of retail, which involves the government, federations, retailers, sports sponsors, clubs, academies, etc. apart from the retailers and their consumers. The sports retail business in a country is driven by the level of sports participation which, in India, is low for the reasons given below:

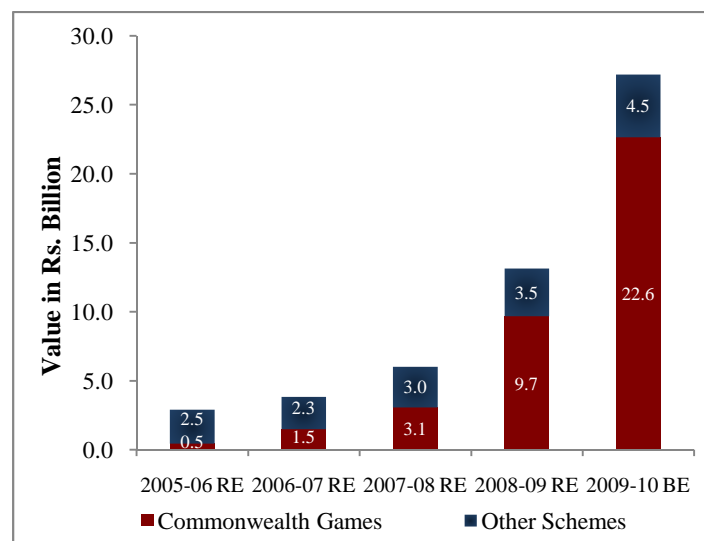
- Sports is treated as an entertainment and leisure activity and not as a serious career option. The salaries of most sportsmen are low and this acts as a disincentive to pursue sports.
- The focus at the school level is on education and not sports. Until recently, participation in sports was not compulsory in schools, and many schools do not have adequate sports infrastructure and training facilities.
- There is a shortage of sports infrastructure. The existing government funding is much lower than required for a country with a large population like India. Moreover, the existing infrastructure is not well-maintained and tends to be concentrated in a few cities like Delhi and Mumbai. The survey found that there

are only three or four tennis stadia managed by the government. Facilities like indoor swimming pools are lacking in India.

- India is a developing country and participation in some sports such as tennis, shooting, golf and motor racing is expensive and beyond the reach of the majority of the Indian population. For instance, the All India Tennis Federation pointed out that only five per cent of the Indian population can afford to play tennis.
- There is a lack of professional training facilities in sports like hockey and swimming, which has led to deterioration in India's global ranking in these sports and, therefore, a decline in sponsorship and participation.
- Although a number of sports are played in India, only few receive good sponsorship. For instance, the survey found that it is difficult to get sponsorship for sports like chess and swimming while it is easier for sports like cricket and football.

The Indian government has not focused on development of sports by linking it to improvement in physical health of the community. Although the sports policy refers to development of sports at the grassroots level, government expenditure is concentrated in large cities. Figure 7.1 shows the government expenditure for the past five years, the bulk of which is for the Commonwealth Games. The government is also not keen to promote sports like golf and motor sports where Indians are trying to do well in international events. Since the budget outlay for sports is low, this limits government procurement. Moreover, while procuring products, the focus of the government is on lowest prices and, therefore, contracts are given to the lowest bidder without proper evaluation of quality. Some of the survey respondents have questioned the transparency of the procurement process.

Figure 7.1: Financial Outlays of the Ministry of Youth Affairs and Sports for Sports and Physical Education



Source: Ministry of Youth affairs and Sports (2006, 2007, 2008, 2009)

Note: RE – Revised Estimates; BE – Budget Estimates

The sports federations are not professionally managed – most of them are registered societies under the Societies Act. Many of them are run by ex-government officials or military officials who are honorary/part-time and have political connections. They often do not perform as autonomous bodies. This is because, in the absence of private sponsorship for certain sports, they are dependent on the government for funding and for provision of infrastructure. In fact, the survey found that shortage of funding makes it difficult to upgrade and invest in training and development of players; this leads to poor performance of players in international events, and due to poor performance, private sponsors are not willing to fund the sport and it loses its popularity. Hockey is an example of how the national sport of India can deteriorate due to lack of funding, infrastructure, poor management by the federation, outdated technology and poor sponsorship.

Since retailers have to work closely with the government and federations, lack of coordination between different government agencies and between government agencies and federations adversely affects their operations. Retailers/sponsors further pointed out that federations sometimes make unreasonable demands. It is easier for retailers to work with some federations like the All India Tennis Federation or BCCI, while it is extremely difficult to work with federations for sports like swimming. Interestingly, the survey found that some federations do not have much control over the players. They cannot enforce contracts properly, which makes it difficult for brands to support the players. Federations, on the other hand, pointed out that sports retailers and brands focus too much on talent endorsement rather than endorsing the team or the event. They also pointed out that retailers/brands tend to sponsor only a few sports like cricket.

The other sports-related barriers include lack of budget and focus of state governments who play the significant role in sports promotion, lack of corporate sponsorship for state and local events, the low involvement of the private sector in sports compared to developed countries, and security concerns during major sports events.

At the retail end, the core concerns of the corporate and traditional retailers are similar. Both corporate and traditional retailers referred to lack of infrastructure such as proper parking space, approach roads, warehousing facilities and electricity as the main barriers in the retail sector. Power failures are common and retailers have to invest in captive power supply, which adds to the cost. The shortage of electricity also restricts shop timings. Real estate costs are very high in cities such as Delhi and Mumbai because of high stamp duties and restrictive zoning regulations, which limit the availability of land for retail/commercial purposes. Non-availability of government land together with fragmented private holdings makes it difficult for retailers to acquire large plots of land. Laws related to land conversion and rent control acts vary across states; although some states are in the process of amending the old Acts, the process is not uniform across the country. The property market is not transparent; lack of clear ownership/titles and high stamp duties have resulted in grey markets for property.

There is no urban planning and illegal constructions of shops not only aggravate parking, electricity and other problems, but also create operational uncertainty. Large retailers tend to complain more about the real estate and other infrastructure cost than small retailers.

Corporate retailers pointed out that stringent labour laws govern the number of working hours and minimum wages, leading to limited flexibility of operations and employment of part-time employees. There is a shortage of skilled personnel at the management level and retailers have to invest in training. Further, retail is yet to become a preferred career option for most of India's educated class that has chosen sectors like IT, BPO and financial services.

Both traditional and corporate retailers referred to a large number of regulatory constraints/barriers, although they are affected differently by the barriers. The retail sector in general is subject to a plethora of laws and regulations at the central, state and local/ municipal levels. There is no nodal ministry or any specific legislation for this sector even at the centre. Hence, it is difficult to raise concerns or discuss issues with any particular ministry. The requirement of multiple clearances from different government ministries/departments causes delays and affects efficient operations. Some laws related to this sector are outdated. For example, in many states, the Shop and Establishment Acts are over 50 years old (the Delhi Act was made in 1954 and that of Mumbai in 1948). These laws have restrictive shop timings and require shops to be closed once a week. Although this was done with the intention of giving employees a day off, such laws are redundant for modern retailers who can use employees on a rotational basis. In states which have given leeway to modern retailers, the traditional retailers suffer. In fact, small retailers tend to complain more about inconvenience in shop opening timings and police harassment than large retailers. Since retail is a state subject, the regulations are state-specific and retailers targeting pan-India operations have to work with individual state governments.

Retailers pointed out that although the population is large, their target consumers (who are educated, young and from urban areas) make up only 10 per cent of the population. There is no official data on the retail sector of India and the data from different consultancy companies vary. Market research studies tend to present an optimistic picture of the country without highlighting the difficulties of retail operations. Although the population is large, the actual purchasing power of the masses is low. Moreover, sports is not treated as a basic necessity, hence purchases are made only when required. India is not a uniform market and there are regional variations in consumer preferences. At present, most large retailers can focus on a few cities. The level of sports participation is low and they can only sponsor a few sports that attract viewership and have viewership. . The survey found that there are only a few fast-selling products and consumer awareness about the use of the product and/or the latest technology is limited. Most consumers treat sports as an entertainment and leisure activity, which make sports products a direct competitor to other recreation options like watching movies. Sports is

treated as a means to keep fit and there are low-cost fitness options like yoga, which do not require equipment, shoes, etc. Indian consumers are price-sensitive and not as brand-conscious as their western counterparts. Brand loyalty is low and consumers are experimenting with multiple brands. Lack of brand knowledge makes it difficult to penetrate the market and so the brands have to spend on marketing and promotion. Some foreign brands pointed out that in India, there is a focus on sports like cricket, which they do not sponsor. Advertising costs are also high.

Retailers often face the problem of how to market/sell a particular product. This problem is more acute for large retailers. Linking sports with lifestyle products and casual wear can result in a loss of identity; however, without this link they may not have a wide customer base. During the survey, most retailers were confused as to whether they should position their products as sportswear or casual wear. Some foreign retailers who have tried to position their products only as casual wear have not succeeded in India. Many sports in which foreign retailers have competence or interest in sponsorship are not acknowledged as sports by the government and cater only to a niche market in India. Some retailers are also confused about whether they should position themselves as a luxury brand. Since purchasing power in India is lower than in developed countries, brands that are not treated as luxury brands in those countries are treated as luxury brands in India. Interestingly, small retailers have not raised this issue. They carefully select the product, which they think their consumers will like and develop knowledge about consumer preferences through trial and error.

Brands like Speedo face problems of counterfeit products, which shrinks their market size and revenues. The survey found that counterfeit products are manufactured within the country and imported from countries like China. They reach the retail segment through importers and wholesalers.

Both traditional and modern retailers have pointed out that the Indian manufacturing sector has not focused on strong brand development. There are only a few strong Indian brands and hence they have no options but to market foreign brands. There are restrictions on foreign retail in India and many foreign brands want to enter once the market is open. Hence, there is limited availability of brands, which prevents economies of scale. Small retailers pointed out that consumers have shown preference for branded products over unbranded products.

In India, the logistics chain is highly fragmented and the large number of intermediaries increase costs. Delays in transportations and multiple documentations requirements at state borders also increase the costs of inventory management. A Planning Commission estimate shows that logistics costs in India as a percentage of GDP increased from 13.41 per cent in 1999-00 to 14.97 per cent in 2005-06. This implies that India spends \$30-40 billion more than it should on logistics due to inefficient logistic chains. It also estimated that approximately 14 per cent of a product's cost represents logistics-related

costs.⁴² Inter-state differences in definition, enforcement and incidence of taxes make it difficult to have a uniform pricing model across the country. This results in infiltration of products from states with lower taxes to states with higher taxes, resulting in black marketing. Corporate retailers argued that multi-point taxation makes it difficult to set up a centralised sourcing infrastructure. Retailers with chain stores often cannot work on a hub-and-spoke model with a centralised merchandising office due to the heterogeneous tax structure. This does not allow economies of scale in sourcing.

Retailers argued that the focus of the government on the sports sector is limited to export promotion and not on the development of the domestic retail market. The government approach towards development of manufacturing is also fragmented. There are separate export promotion council for sports goods, apparel and shoes and there is not enough co-ordination between these councils. They do not even participate in international fairs/exhibition together and only SGEPC gets represented. After the global slowdown, export promotion councils like Export Promote Council of Handicrafts (EPCH) are focusing on the domestic retail market. The manufacturing sector in India is marked by the presence of SMEs. Most retailers do contract manufacturing with multiple manufacturers and hence face the risk of losing control over the production process.

Retailers pointed out that technology-intensive products have to be imported. In India, duties are very high as shown in Table A1 in Appendix A, which increases the price of the product. Therefore, an Indian consumer travelling abroad can buy the product at a cheaper rate than in India. Since most corporate retailers cater to high and high-middle income group consumers who travel abroad (many of them frequently), they are aware of the price differences and tend to buy their preferred brands during their international trips. They also argued that high total duties are inconsistent with the policy of single-brand retail, which wanted to allow the Indian consumers to access global brands.

Retailers have also referred to other import barriers such as delays and cumbersome custom clearance process, inadequate warehousing facilities in airports, bribes and corruption. A sudden and unplanned shortage of raw materials can lead to non-availability of goods at the retail end. For instance, after the bird flu in China, the Indian government banned the import of feathers, which adversely affected shuttlecock production and supply. Willow is used for high-quality cricket bats and it is mainly procured from Kashmir and the UK; Kashmir has now banned the sale of willow outside the state.

Sports manufacturers, distributors and retailers argued that the restriction on FDI in multi-brand retail is hampering the growth of this sector. Many sports retailers are multi-brand and even if the government allows FDI up to 100 per cent in single-brand retail, it will not benefit multi-brand retailers like Reebok. As mentioned earlier,

⁴² Planning Commission (2009)

manufacturers pointed out that while the international market is getting saturated, the domestic market is growing. Hence, they cannot afford to focus only on exports. In such a situation, the expansion of the domestic market is crucial for their growth.

Domestic corporate retailers argue that FDI in multi-brand retail will enable Indian retailers to get foreign technical knowhow and finance, and provide consumers access to a wide range of products. In fact, during the global slowdown, many Indian corporates faced a financial crunch and are of the opinion that joint ventures will ease their financial situation. Moreover, the present FDI restriction is not an entry ban – it only restricts the ability of the foreign retailers to choose the most preferred route of entry. Some foreign retailers argued that Indian consumers demand certain commitments. For instance, they prefer to have good after-sales services and companies need good after-sales infrastructure. For providing such services, they have to invest and take long-term business decisions. Policy uncertainty adversely affects long-term business planning.

As mentioned earlier, the sector has not benefitted from 100 per cent FDI in wholesale cash and carry.

Retailers, manufacturers and sector experts have pointed out that while most countries are removing FDI restrictions and replacing them with regulatory restrictions, India seems to continue with market access restrictions (Table 7.1). In India, too, the debate has shifted from foreign versus domestic retailers to large versus small retailers. By imposing a market access barrier like FDI in a situation when foreign players can easily operate in India, the country is not only losing valuable foreign exchange but also the business opportunities that could have been there by clubbing sports retail with the series of international sports events that India is hosting. Since a number of different types of sports are played in sports events like the Commonwealth Games, it could have been an opportunity for federations to get sponsorship, Indian manufacturers to supply to foreign brands in India and Indian retailers to enter into strategic partnerships.

The survey found that both Indian and foreign retailers had mixed experiences in choosing the right partner. Some foreign companies pointed out that the partial FDI in single-brands is not useful because often they do not get the right partner and sometimes they have to share their profits even though the Indian partner makes no contribution. They also argued that in the policy, there is no condition imposed on the Indian partner, who can be a sleeping partner. Since sleeping partners do not interfere with day-to-day retail operations, they may not be able to help with the local market knowledge.

Table 7.1: Restrictions

Restrictions	Countries
Zoning Restrictions	Japan, China, Italy, France
Nationality requirement	Austria, Czech Republic, France, Hungary, Italy, Korea, Netherlands, Malaysia (Bhumiputra), Oman (51 per cent Omani shareholding to own show room)
Economic Need Test	France
Rigid Labour Laws	Japan, Germany, China
Labelling requirements	Japan, Korea
State Monopoly	<i>Tobacco products</i> – Australia, France, Hungary, Italy, Spain <i>Pharmaceutical products</i> – Austria, Belgium, Denmark, France, Italy, the Netherlands, Spain, Sweden, the UK <i>Sale of Alcohol</i> – Finland, Iceland, Norway, Poland, Sweden, Turkey
Stringent Retail Regulations (Shop opening timings etc.)	France, Japan, Greece, Austria, Germany
Local employment Requirement	Nigeria, Qatar, France

Source: Compiled by the authors from USTR (2009) and Boylaud, Olivier and Giuseppe Nicoletti (2001).

The survey found that in the sports segment, the protest from traditional retailers on FDI relaxation or entry of corporate retailers is lower than in segments like food and grocery. This is because the product that traditional sports retailers sell is different from corporate retailers – with the former selling toys, gifts and sports equipment and the latter concentrating on sports equipment, shoes, apparel and accessories. Moreover, sports retailers like Reebok, Adidas and Puma generally expand through the franchise mode, which provides employment and opportunities to the Indian partner; this segment, therefore, has created employment and not led to loss of employment. Overall, the survey found that the key problems of traditional retailers are infrastructure, regulations, streamlining of the sourcing network and lack of access to finance. If these are met, they are ready to face competition.

8. Reforms Required

The discussions in the previous section show that sports retail in India faces multiple barriers. The government policies directly affect the growth of the sports sector and this has implications for sports retailing. The low level of sports participation in India is partly due to the lack of government focus on this sector. Development of the sports sector has strong linkages with development of other sectors like tourism, advertising and audio-visual. This is a labour-intensive sector and contributes to human capital development. In a developing country like India, the government policy should take this into consideration. In this context, India can learn from the experiences of countries

like Australia and China. . Similar to these countries, India can come up with a regulation that links sports to health. For this, the Ministry of Youth Affairs and Sports has to work closely with the Ministry of Health and Family Welfare and Ministry of Human Resource Development.

The Ministry of Human Resource Development's CCE system, by making sports a compulsory component of secondary education, is a positive step towards development of sports at the school level. However, for such a policy to succeed, schools need adequate infrastructure. Government funding in sports infrastructure should increase and it should be spread across a wide range of sports and beyond metro cities. The focus should not only be on creation of infrastructure but also its maintenance. The Ministry of Youth Affairs and Sports can enter into public-private partnership (PPP) for development of sports infrastructure. While the private sector is keen to undertake construction in large cities, the ministry's own investment should focus on the grass roots level.

One prime cause for neglect of sports at the central government level is that it is a state subject. The Comprehensive Sports Policy (2007) recommended that sports should be in the 'concurrent list' instead of 'state list'. This policy has certain positive implications such as linking sport and tourism but the delays in shifting sports to the concurrent list has affected the development of sports in India. Greater inter-ministerial, centre-state, inter-state and intra-state co-ordination is required to develop sports in a co-ordinated and comprehensive manner. Since government funding is limited, private sector participation should be encouraged through innovative means. During the survey, some respondents pointed out that, like in the case of airlines, private sector players willing to sponsor national events should be given the contract if they are also willing to sponsor some events at the school, state and zonal levels. The private sector can be involved in development of sports facilities in private schools. Sports complexes can be created in Tier II and III cities through public-private initiatives in which the government provides land, tax concessions for construction, etc. Such benefits are required to enable the government to monitor charges levied for the use of the facilities and their maintenance to ensure that these are affordable by a majority of the population.

Past experience shows that once constructed, infrastructure is not well- maintained. While events like the Commonwealth games in Delhi will lead to the development of infrastructure, after the games, proper maintenance is required for sustaining this infrastructure. The maintenance contracts can be given to private sector, who should be allowed to use it only for sports.

Federations have to be autonomous – they should be freed from political interference and should be professionally managed as per the guidelines of their respective international federations. Federation themselves have to come up with innovative methods for sports promotion. At present, only a few federations are taking initiatives

to popularise their respective sports, getting sponsorship, regularly conducting training and tournaments.

In manufacturing, the focus of the government policy should be on improving the competitiveness of Indian industry rather than exports. Indian industry needs scale expansion and technical upgrading. Within sports equipment, there is need to identify a few products where technical upgrading is a possibility and the focus should be on those product categories. The different export promotion councils under different ministries should work together for comprehensive development of sports products. At present, there is no holistic approach to development of sports products and the sector is suffering due to the resultant piece-meal development approach of different councils. Further, the focus of the councils should be on building a strong “India brand”. It may not be possible for an SME manufacturer to get his product approved by an international federation but several of them together with similar products can develop a brand on a co-operative basis with the help of export councils.

The logistics chain in India needs to be more organised. India is investing on infrastructure like the development of national highways. However, there is need for reforms so that delays at inter-state borders can be reduced. This can be done by computerisation of check posts, 24x7 manning of check posts and green channelling of toll points.

At the retail end, the major problem of the industry is multiple regulatory agencies and multiple regulations at the centre, state and local levels. Unlike other sectors like sports, which are also state subjects, there is no ministry at the centre exclusively looking after the retail sector. The Department of Consumers Affairs Ministry of Consumer Affairs, Food and Public distribution looks after internal trade while DIPP looks after external trade (FDI issues and industry). While some experts believe that DIPP should be the nodal agency, others argued that it should be the Department of Consumers Affairs, Ministry of Consumer Affairs, Food and Public distribution, since retail is a part of trade. This raises the issue of whether retail should be treated as a trade or industry. There is no consensus within the central government as to who should be the nodal ministry and the sector as a whole suffers. Given this uncertainty, retailers have been requesting industry status. They believe that “industry status” would not only give them easier access to funding, it would also give some kind of credibility to the profession and they can formally come under the DIPP. However, being conferred the “industry status” alone will not solve the problem of multiple regulators – regulation has to be streamlined. The Planning Commission has been trying to do so by designing a model Shops and Establishment Act. This is a good step and, if all states follow the basic principle of this model act, it will help streamline state level regulations. The Act needs to look into the possibility of flexible shop timings.

Retail is closely linked to urban planning. The issues of displacement of traditional retailers in neighbourhood shopping centres by large retailers, parking problems, etc. are all urban planning issues. In Delhi, retailers were allowed to set up operations and

then the municipal corporation implemented sealing of illegal shops. Many retailers faced business losses due to such sporadic measures. Globally, countries have tried to minimise the impact of large retailers on small retailers by proper urban planning and zoning restrictions. Malls are allowed to locate in specific locations with proper connectivity and infrastructure.

Retail is the second largest employer after agriculture. This has made it a politically sensitive sector in India because of its employment implications. There is a need for alternative employment creation. Sectors like sports product manufacturing, which are labour intensive, can provide alternative employment opportunities. If retailers source from SMEs, it will lead to employment creation. Large-scale demand from retailers can help manufacturers upgrade and realise economies of scale. This will lead to employment generation in the manufacturing segment. Government and large retailers and educational institutes can work together for skill development.

In the past, there were apprehensions about the adverse impact of foreign retailers on domestic retailers if FDI is allowed in this sector. Now, with the entry of Indian business houses in retail and their ambitious expansion plans, the debate has focused on big *versus* small, i.e., whether corporate retailers would drive the traditional retailers out of business and, therefore, lead to a reduction in employment. Those against corporate retailers have argued that modern retail has marginalised traditional retailers in countries like Thailand; the corporate sector is financially strong and has higher bargaining power, can source and sell products at a cheap rate and, therefore, can drive traditional retailers out of business. It is also argued that they practice anti-competitive practices including predatory pricing. Those in favour of modernisation argue that since the economy is growing, both traditional and modern retailers can grow simultaneously; modern retailers will bring in technical knowhow and global best management practices, invest in the supply chain/retail infrastructure and allied sectors, create better quality jobs, increase government revenue due to transparent accounting practices and offer consumers a wider range of choice. The Competition Act, 2002 can take care of anti-competitive practices and predatory pricing.

The survey found that the impact of modern retail on traditional retailers depends on factors such as the expansion policy of the corporate retailer, economic growth and changes in consumer demand patterns, apart from just the entry of corporate into the retail business. Corporate retailers are not a homogenous group. They differ in their operating models, pricing, the clients they cater to and their pace of expansion, etc. and each can have a different impact on the traditional sector. As mentioned earlier, in the sports sector, the commodities sold by corporate and traditional retailers are different. Their clients/customers are also different. While corporate and branded retailers cater to 10 per cent of the Indian high and high-middle income consumers and will continue to do so for at least the next five years, small retailers cater to the rest of the population. Corporate retailers also work closely with government federations clubs, etc., which only a few traditional retailers do. Since sports products are not a basic necessity, the

retail business in sports goods is different from other forms of retail like food and grocery.

The survey also found that small/traditional retailers have certain advantages over large retailers such as purchase on credit which large retailers will not be able to offer. They have a wider reach and due to this, even foreign brands are sold through small retailers. Large retailers have and will expand through the franchising model creating employment opportunities for local Indians. Hence, entry of corporate into sports retail has not adversely affected the small retailers. The small retailers are more affected by other problems like lack of infrastructure facilities, irregular supply of products, restrictive shop timings and police harassment. In fact, FDI or entry of corporate retailers in sports retail have not been in the list of top five problems stated by traditional retailers or their associations.

The FDI policy has come under criticism from corporate retailers, sector experts, manufacturers, federations, foreign brands owners and retailers. India is also under pressure from the WTO and its FTA partners to open up this sector. This study found that in the sports segment, the single-brand policy has not been useful since the policy requires fulfilment of a number of conditions and many sports brands are multi-brand. The relaxation of FDI in single-brand to 100 per cent will not make a major change in the FDI inflows or sourcing from India in this segment. The country will benefit only if 51 per cent FDI is allowed in multi-brand retailing. This will lead to the entry of more brands and better quality products for use by Indian sportsmen and more sponsorship for sports events. Indian corporate retailers through joint ventures can have access to finance and global best practices.

Today, many sports products used in important sports events are imported. While government and federations can import them duty-free, there is a high total duty on products like shoes. This limits their use, especially by private organisations and consumers. If government wants consumers to access brands (as per the single-brand policy, to increase knowledge about the use of the specific product and technology, total duty on final products should be brought down from 24 per cent to not more than 10-15 per cent. Consumers' use of products will not increase if they have to pay a high price for it.

It is important to note that retail is a family-owned business and many global retailers have grown from family-owned business to corporate. In India, there are some large family-owned businesses, which are known as traditional retailers but have the capability to tie up with global players. There is a need to encourage tie-ups between mid-sized Indian and foreign businesses in which both sides benefit. This can only happen if partial FDI is allowed in multi-brand retailing. Since the FDI restriction is not an entry ban, the government, instead of having multiple entry routes for foreign retailers, which it cannot monitor, should allow FDI with a proper regulatory regime to ensure that there is no adverse impact on domestic players. This study strongly argues

in favour of the need to regulate retail – and this can be done through various means like streamlining regulation, zoning and proper urban planning rather than FDI restriction. As shown in Table 4.4, globally, countries are moving away from market access restrictions to regulation.

The complexities in FDI policy has led to negotiating complexities. In the India-Korea CEPA, while India has been conscious in undertaking commitments in the services chapter (it does not include retail and only includes part of wholesaling and commission agents services), in the investment chapter, franchising, wholesale trading, commission agent's services and FDI up to 51 per cent single-brand retail have been opened up (India has mentioned about the single-brand regulation). The CEPA investment chapter is one of the most liberal investment chapters in trade agreements. There is need for India to have consistent commitments in the services and investment chapter in international agreements. Further, international negotiations today are increasingly focusing on regulatory issues while India is focusing on FDI issues. India also seems to be forthcoming in giving national treatment commitments unlike other countries. A better negotiating strategy would have been to commit 51 per cent FDI in single-brand retail and not undertake any commitments in national treatment. India needs to reserve the rights to implement regulations and monitor investment. By over-emphasising market access, these crucial issues seem to have been ignored. Before going for the India-EU Broadbased Trade and Investment Agreement or the India Japan Comprehensive agreement, which are due for signing this year, India needs to evaluate the commitments made across different chapters of the India-Korea CEPA. Lastly, to enhance the country's bargaining power both in the WTO and FTAs, FDI restrictions should be replaced by sound regulations which takes into consideration the requirements of the domestic industry.

Modernisation will continue. Globally, there is a transition from traditional to modern retail and, as India develops and globalises, this will be a natural trend in the country. The government can help the traditional sector make a smooth transition and upgrade itself. Since this sector faces a financial crunch, government owned banks and micro-credit institutions can design innovative packages to meet the specific requirements of this sector. Some banks, such as the Syndicate Bank, have already started micro-financing for small retailers. There can be insurance schemes specially designed for small retailers. One of the biggest disadvantages of the small retailers vis-à-vis large retailers is the high purchasing/procurement costs. The government can work with small retailers' associations to streamline the procurement process and encourage them to do bulk purchases through associations. Government can work closely with them to upgrade technology, train of manpower, invest in infrastructure and use IT.

9. What Should Retailers Do?

India has a large population but only a small number are consumers of sports product. Retailers should do market feasibility studies, they need to understand that the Indian market is heterogeneous and taste patterns vary across regions and even across cities

The survey findings showed that there is a shortage of data and information. There is no official system of data collection or evaluation of policy. For instance, before the single-brand policy was initiated, there was no market study to see if Indian consumers are becoming more brand conscious. Similarly, after this policy, the impact of the policy has not been studied. Data provided by different consultancy organisations do not match and many of them tend to present an over-optimistic picture of the Indian retail market. The industry needs to develop an organised system of data collection and research.

Retailers should customise their products according to consumer requirements. During the survey, it was found that retailers who were trying to sell products like export surpluses have a limited market. Some manufacturers also think that they can sell their export surpluses in the domestic market. However, this will not enable them to grow. As Indian consumers become more aware, retailers need to know that anything or any brand will not sell in India.

There is also need to develop brand awareness in India. Large retailers/brand owners have the capability of developing brand awareness through event sponsorship, player sponsorship. Small retailers have a limited capacity to invest in brand visibility but, since they too sell branded products, they will benefit once the brands become well known. Although Indians use sports products as lifestyle product, association with a sports event is the key to the success of a brand in India. Today most brands tend to associate with sports like cricket. There is need for brands to be associated with more sports. Working with schools and colleges and sponsoring events at the junior level will give brand visibility. Since Indian consumers are price conscious, right pricing of products is important for a retailer's success.

The retailers need to invest in the supply chain too. They have to focus on reducing the number of intermediaries and streamline their supply chain. While large retailers are investing in the supply chain, small retailers through their associations can source in a co-operative mode directly from manufacturers. Large volumes of direct sourcing will enhance the bargaining power of retailers, it will reduce the number of intermediaries and manufacturers will also get a better price for their products.

Retailers have to be careful in their choice of products and partners. Experience shows that not all products succeed in India. Certain products do well in specific marketing formats. For foreign retailers, choosing the right partner is the key to success in India. It is important for foreign retailers/brands to have an Indian partner with local market knowledge. They need to be aware that although India has a large population, they will be catering to only one per cent of it. Their experiences in developed country markets cannot be replicated in India.

Lastly, this study found that retailers – whether large/corporate or small/traditional – face similar problems in sports retail. Irrespective of their size, all retailers face problems with acts like Shop and Establishment Act. Large and small retailers should

work together to identify the common problems facing this sector and making constructive suggestions to the government. At present, the retail sector is suffering since retailers are not putting forward their core issues in a unified manner. There is also need for more co-ordination between retail and manufacturing organisations. For instance, retailers associations can work with manufacturers associations for streamlining sourcing from the SME sector.

10. Conclusion

Sports retail is a niche retail segment in which government, federations, manufacturers, sponsors and consumers play an important role. In India, retail of sports products is growing due to an increase in per capita income, increasing health awareness and brand consciousness and the entry of corporate retailers in this segment. India has been a manufacturing hub for sports products and the number of brands sourcing from India has increased after liberalisation. With the growth of the domestic market, some companies that were previously focusing solely on exports are now looking at the domestic market. Global retailers, who are facing a saturated market at home and slowdown in countries like the US, are now looking at growing markets like India and China. India is hosting a number of international sports events, which has created opportunities for sports product retailing.

In the above context, this paper looked at the sports retail business in India highlighting the opportunities and constraints. This survey-based study found that sports retail is a small segment of retailing, but its share in total corporate retail is around 10 per cent. Around 30 per cent of the sports products retail is through corporate retail and the remaining 70 per cent is through family-owned small businesses. The sector is growing at an annual average rate of 20-25 per cent and many Indian corporate and foreign retailers are keen to enter this segment.

The study found that the present FDI restrictions are not an entry barrier - it only restricts the ability of foreign retailers to choose their most preferred route of entry. Foreign retailers and brands have entered and are present in India through various modes like franchising, wholly owned subsidiaries, distribution and licensing agreements. The study also found that this is a less sensitive segment of retail unlike food and grocery and the products sold by corporate and traditional retailers are different. Both traditional and corporate retailers have their own strengths, which help them coexist. The entry of corporates in this segment has created employment. The growth of organised retail in India has helped mitigate the adverse impact of the global slowdown in the manufacturing segment.

Based on these findings, the study recommends that 51 per cent FDI should be allowed in multi-brand sports product retailing. This will increase sourcing from Indian manufacturers, provide them access to technology, increase brand awareness, inculcate the sports culture among consumers and encourage investment in sports infrastructure, sports sponsorship and funding. Indian corporate retailers will also have access to

global best practices and finance. There is a need for more private involvement in the sports sector of India – 51 per cent FDI in multi-brand retail will facilitate this. The study found that increasing the FDI limit to 100 per cent would not benefit this sector significantly.

The study also found that the core problems of this sector, such as infrastructure and multiple regulations, are same for both corporate and traditional retailers. Once these are addressed, the efficiency and productivity of the sector will increase. The role of the government should be that of a facilitator for the development of this sector rather than that of a monitor and controller of market access through FDI restrictions while foreign players enter through other routes. Government policy should allow small retailers to upgrade and become more competitive. There is need for more public-private partnership in this sector and this study identifies areas for such partnership including development of sports infrastructure, training of employees, streamlining of supply chain, sourcing from SMEs and branding.

Although India is a sourcing hub for sports products, the country does not have an integrated production chain, strong domestic brands. Besides, different export promotion councils in this sector do not work in an integrated manner. The level of sports participation is low and there is limited access to infrastructure. The study argues in favour of an integrated approach to sports sector development. There is need for government investment and appropriate policy to support the growth of this sector. Federations have to be professionally managed; the procurement process should be transparent; emphasis should be on quality and not only on price while procuring products from private sector; the different export promotion councils have to work together to develop India specific brands and market them. The study pointed out that too much focus on export markets, which are getting saturated, will adversely affect manufacturing and hence, the focus should be on improving the competitiveness of the industry.

Lastly, the study found that as India is a member of the WTO and is negotiating comprehensive bilateral agreements with a large number of trading partners, the country should be careful about undertaking commitments. Citing the example of the lack of consistency between the services and investment chapter of recently signed India-Korea CEPA, the study argued that complex FDI regulations increases complexities in international negotiations. India is one of the few countries, which still have FDI restrictions, while globally countries are moving towards regulating the retail sector. The study strongly argues in favour of proper regulation – which will help the sector to modernise without adversely affecting the traditional sector.

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Table A1: India's Total duty Structure for Sports Products

HS Codes	Item Description	Unit	Basic Duty (in per cent)	CVD (in per cent)	Special CVD (per cent)	Total Duty with 2+1% Education Cess
Sports Apparel						
611211 00	Track suits of cotton, knitted	Unit	10	8.24	0	0
611212 00	Track suits of synthetic fibres, knitted	Unit	10	8.24	4	24.421
611219 10	Track suits of silk, knitted	Unit	10	8.24	4	24.421
611219 20	Track suits of wool or fine animal hair, knitted	Unit	10	8.24	4	24.421
611219 30	Track suits of artificial fibres, knitted	Unit	10	8.24	4	24.421
611219 90	Track suits of other material, knitted	Unit	10	8.24	4	24.421
611220 10	Ski suits of silk, knitted	Unit	10	8.24	4	24.421
611220 20	Ski suits of wool or fine animal hair, knitted	Unit	10	8.24	4	24.421
611220 30	Ski suits of cotton, knitted	Unit	10	8.24	0	0
611220 40	Ski suits of synthetic fibres, knitted	Unit	10	8.24	4	24.421
611220 50	Ski suits of artificial fibres, knitted	Unit	10	8.24	4	24.421
611220 90	Ski suits of other material, knitted	Unit	10	8.24	4	24.421
611231 00	Men's/boys' swimwear of synthetic fibres, knitted	Unit	10	8.24	4	24.421
611239 10	Men's/boys' swimwear of silk, knitted	Unit	10	8.24	4	24.421
611239 20	Men's/boys' swimwear of artificial fibres, knitted	Unit	10	8.24	4	24.421
611239 90	Men's/boys' swimwear of other textile materials, knitted	Unit	10	8.24	4	24.421
611241 00	Women's/girls' swimwear of synthetic fibres, knitted	Unit	10	8.24	4	24.421
611249 10	Women's/girls' swimwear silk, knitted	Unit	10	8.24	4	24.421
611249 20	Women's/girls' swimwear artificial fibres, knitted	Unit	10	8.24	4	24.421
611249 90	Women's/girls' swimwear of other textile materials, knitted	Unit	10	8.24	4	24.421
621111 00	Swimwear for men or boys, not knitted	Unit	10	8.24	4	24.421
621112 00	Swimwear for women or	Unit	10	8.24	4	24.421

HS Codes	Item Description	Unit	Basic Duty (in per cent)	CVD (in per cent)	Special CVD (per cent)	Total Duty with 2+1% Education Cess
	girls, not knitted					
621120 00	Ski suits, not knitted	Unit	10	8.24	4	24.421
Sports Footwear and Shoes						
640212 10	Ski boots, cross-country ski footwear & snowboard boots of rubber	Pairs	10	8.24	4	24.421
640212 90	Ski boots, cross-country ski footwear & snowboard boots of other material	Pairs	10	8.24	4	24.421
640219 10	Other sports footwear with outer soles & upper of rubber	Pairs	10	8.24	4	24.421
640219 90	Other sports footwear with outer soles & upper of other material	Pairs	10	8.24	4	24.421
640312 00	Ski-boots, cross-country ski footwear and snowboard boots	Pairs	10	8.24	4	24.421
640319 10	Other sports footwear with outer soles of leather	Pairs	10	8.24	4	24.421
640319 20	Other sports footwear with outer soles of rubber	Pairs	10	8.24	4	24.421
640411 10	Sports footwear, tennis shoes, basketball shoes, gym shoes, training shoes, etc. with outer soles of rubber with canvas upper	Pairs	10	8.24	4	24.421
640411 20	Sports footwear, tennis shoes, basketball shoes, gym shoes, training shoes, etc. with outer soles of rubber with leather cloth uppers	Pairs	10	8.24	4	24.421
640411 90	Sports footwear, tennis shoes, basketball shoes, gym shoes, training shoes, etc. with outer soles of other material	Pairs	10	8.24	4	24.421
Sports Products/Equipments						
950611 00	Skis	Unit	10	0	4	14.712
950612 00	Ski-fastenings (ski-bindings)	Kg	10	0	4	14.712
950619 00	Other snow-ski equipment	Kg	10	0	4	14.712

HS Codes	Item Description	Unit	Basic Duty (in per cent)	CVD (in per cent)	Special CVD (per cent)	Total Duty with 2+1% Education Cess
950621 00	Sailboards	Unit	10	0	4	14.712
950629 00	Other water sports equipment (Water-skis, surfboards etc.)	Unit	10	0	4	14.712
950631 00	Golf clubs, complete	Unit	10	0	4	14.712
950632 00	Golf balls	Unit	10	0	4	14.712
950639 00	Other Golf equipment (except complete clubs and balls)	Kg	10	0	4	14.712
950640 00	Articles & equipment for table tennis	Unit	10	0	4	14.712
950651 00	Lawn tennis rackets, whether or not strung	Unit	10	0	4	14.712
950659 10	Squash or racquetball badminton rackets, whether or not strung	Unit	10	0	4	14.712
950659 90	Other rackets	Unit	10	0	4	14.712
950661 00	Lawn-tennis balls	Unit	10	0	4	14.712
950662 10	Football	Unit	10	0	4	14.712
950662 20	Volley ball	Unit	10	0	4	14.712
950662 30	Basket ball	Unit	10	0	4	14.712
950662 90	Other inflatable balls	Unit	10	0	4	14.712
950669 10	Hockey ball	Unit	10	0	4	14.712
950669 20	Cricket ball	Unit	10	0	4	14.712
950669 30	Golf Balls	Unit	10	0	4	14.712
950669 40	Rugby balls	Unit	10	0	4	14.712
950669 90	Other balls	Unit	10	0	4	14.712
950670 00	Ice skates & roller skates, including skating boots with skates attached	Unit	10	0	4	14.712
950691 10	Boxing equipments	Kg	10	0	4	14.712
950691 90	Other gymnastics/athletic equipment	Kg	10	0/8.24	4	14.712
950699 10	Badminton shuttle cocks	Unit	10	0/8.24	4	14.712
950699 20	Leg pads and bats for cricket	Unit	10	0/8.24	4	14.712
950699 30	Shoulder pads for football	Unit	10	0/8.24	4	14.712
950699 40	Hockey sticks and blades	Unit	10	0/8.24	4	14.712
950699 50	Polo sticks including blades, shafts and heads	Unit	10	0/8.24	4	14.712
950699 60	Sports nets	Unit	10	0/8.24	4	14.712
950699 70	Tennis & badminton racquet pressures	Unit	10	0/8.24	4	14.712
950699 80	Shin/protective guards	Unit	10	0/8.24	4	14.712

HS Codes	Item Description	Unit	Basic Duty (in per cent)	CVD (in per cent)	Special CVD (per cent)	Total Duty with 2+1% Education Cess
	and elbow or shoulder pads excluding those for football; waist; thigh and hip protective equipment					
950699 90	Other sports equipment	Unit	10	0/8.24	4	14.712
950710 00	Fishing rods	Unit	10	8.24	4	24.421
950720 00	Fish-hooks, whether or not snelled	Kg	10	8.24	4	24.421
950730 00	Fishing reels	Unit	10	8.24	4	24.421
950790 10	Fish landing and butterfly nets	Unit	10	8.24	4	24.421
950790 90	Other hunting requisites	Unit	10	8.24	4	24.421
Sports Accessories						
420321 10	Gloves for sports	Kg	10	8.24	4	24.421
420321 20	Mittens & mitts for sports	Kg	10	8.24	4	24.421

Source: Compiled by the authors from Goyal, Arun (2009).

Note: (i) The basic customs duty represents the external tariff of the country applicable to goods on entry in India. The majority of standard rates are the effective rate or otherwise reflected in the custom exemption stated in the exemption notification.

- (ii) Additional Duty of Custom (known as CVD) is leviable on the imported goods ad equivalent domestic tariff in terms of Section 3(I) of Customs Tariff Act, 1975.
- (iii) Special Additional Duty of Customs (known as Special CVD) – Under Section 3(5) of Customs Tariff Act 1975, domestic taxes like sales tax, value added tax, local tax or any other charges leviable on a like article on its sale, purchase or transportation in India, have been made applicable on the imported goods as well for counter balancing these taxes. Education cess is not applicable on the Special CVD.
- (iv) Total Duty is a total applicable standard rate of duty on any item including basic customs duty, additional duty of customs and special additional duty along with any applicable cess on the imported goods.
- (v) Education cess (EC) of two + one per cent on the aggregate of excise and customs duties applicable to all goods in this table. Impact of EC included in additional duty and total duty with EC column.
- (vi) Additional duty for HS code 61 and 62 are subject to an additional duty on Tariff value equivalent to 60 per cent of the retail sale price that is declared or required to be declared on the retail package under provisions of Standards of Weights and Measures Act 1976 or any other law on the subject. This is provided by Excise Notification 20(NT)/30.04.2001 as amended by CE 7(NT)/01.03.2002.
- (vii) Additional duty for (a) footwear of retail sale price not exceeding Rs. 250 per pair - Nil if the price is indelibly marked or embossed on the footwear; (b) footwear of retail sale price exceeding Rs. 250 and not exceeding Rs. 750 per pair – 4 per cent and (c) others – 8%. per cent. Additional 2 per cent of this duty for education cess. (MRP based Assessment: Valuation for the purpose of additional duty on headings 64.01 to 64.05 is based on MRP (Maximum Retail Price) declaration on the package.
- (viii) There is no CVD leviable on sports articles and equipment used for general physical exercise (Hs code from 950699 10 to 950699 90).

An Overview of GATS

GATS, established in the Uruguay Round of WTO negotiations (1986-1994), is the first ever set of multilateral, legally enforceable rules governing trade in services. The main aim of GATS is progressively to liberalise trade and investment in services through periodic rounds of negotiations.

Under GATS, services are traded in four different modes:

- **Mode 1:** “Cross-border supply of services” refers to the delivery of services across countries such as the cross-country movement of passengers and freight, electronic delivery of information and data.
- **Mode 2:** “Consumption abroad” refers to the physical movement of the consumer of the service to the location where the service is provided and consumed.
- **Mode 3:** “Commercial presence” refers to the establishment of foreign affiliates and subsidiaries of foreign service companies, joint ventures, partnerships, representative offices and branches. It is analogous to FDI in services.
- **Mode 4:** “Presence of natural persons” refers to natural persons who are themselves service suppliers, as well as natural persons who are employees of service suppliers temporarily present in the other member’s market to provide services.

In Modes 1 and 2, the service supplier is not present within the territory of the member, while in Modes 3 and 4, the service supplier is present within the territory of the member.

The GATS contains two sorts of provisions. The first are general obligations, some of which apply to all service sectors (for example, Most Favoured Nation (MFN) and Transparency) and some only to scheduled specific commitments (for example, Article XI: Payments and Transfers). The second are specific commitments, which are negotiated undertakings particular to each GATS signatory.

Under the MFN Treatment (Article II), a member is obliged to provide to another member treatment which is no less favourable than that which it provides to any other country, whether a member or not (that is, if a WTO member country offers a certain privilege to any other country, whether it be a member or not, it has to extend the same treatment to all WTO member countries). However, GATS allowed member countries to undertake exemptions to this clause, in their initial commitments in the Uruguay Round, subject to review.

The clause on Transparency (Article III) requires each member country to publish all measures of general applications, which pertain to or affect the operation of the Agreement. Countries are also required to publish international agreements pertaining

to or affecting trade in services. In other words, the Council of Trade in Services will have to be informed – at least annually – of the introduction of any new laws or any changes to existing laws, regulations and administrative guidelines. WTO member countries can make requests regarding specific information, which the concerned country will have to provide promptly.

The GATS aims to liberalise progressively service trade under the four modes of service supply. For each mode, a country can impose two types of restrictions (limitations): market access and/or national treatment. A country is said to have imposed a market access restriction if it does not allow (or partially allows with some restrictions) foreign service providers to enter and operate in the domestic market. A national treatment restriction exists when foreign services or service providers are allowed to enter the market but are treated less favourably than domestic service providers. During successive rounds of negotiations, member countries negotiate and undertake commitments to liberalise market access and/or national treatment in specific sectors in what is known as the Sectoral Schedule of Commitments and across all or several sectors in the Horizontal Schedule of Commitments. Both the sectoral and horizontal schedules have to be read together to understand the extent and nature of commitments undertaken in a particular sector. Thus, market access and national treatment are negotiated obligations. It is possible for countries not to grant full market access and deny national treatment by putting limitations and conditions on market access and conditions and qualifications on national treatment in particular sectors/sub-sectors. This is done by recording such limitations and qualifications in the commitment schedules under market access and national treatment columns. In its schedule, a country is said to have made a “full” commitment in a particular mode/sector if there are no restrictions on market access or national treatment. A country is said to have made “partial” commitment if the commitment is subject to some restrictions on market access or national treatment. If a country does not make any commitment to liberalise a particular sector or mode of supply and retains the right to impose restrictions in the future, then it is said to have kept the sector/mode “unbound”. It is expected that successive rounds of negotiations will secure further liberalisation by adding more sectors to a country’s schedule and removing limitations and qualifications, if any, in sectors/sub-sectors already in the schedule. This is done mode-wise for each sector/sub-sector. It is also possible for countries to make commitments that are outside the scope of market access and national treatment as defined in the GATS. These are called “additional commitments” (Article XVIII). This provides scope for making commitments in such regulatory areas as licensing, qualifications and standards applicable to services.

The GATS covers all services except those supplied in the exercise of government authority. It follows a positive list approach, which indicates that there is no a priori exclusion of any service sector and that countries are free to choose the service sectors/sub-sectors and modes within those sectors/sub-sectors for scheduling commitments.

Table C1: Popular Brands, their Procurement and Modes of Retail

Selected Sports and Some of the Related Sports Equipments		Some Popular Brands (Indian/Foreign)		Equipment Procurement (Domestic/Imported)	Modes of Retailing
		Indian	Foreign		
Cricket	Bat	BDM, S.S., S.G.	Reebok, Adidas, Nike	Largely Domestic	<ul style="list-style-type: none"> • Traditional retail outlets like toys and games shops, exclusive sports merchandise shops, etc. • Modern retail outlets like department stores, multi-brand outlets exclusive brand outlets, factory outlets, shop-in shop, etc.
	Shoes	E.S.S., Tracer Nivia Sports	Adidas, Reebok, Nike		
Football	Ball	Nivia Sports, Cosco	Adidas, Spartan, Nike, Victor Sports	Largely Domestic	<ul style="list-style-type: none"> • Traditional retail outlets like toys and games shops, exclusive sports merchandise shops, etc. • Modern retail outlets like department stores, multi-brand outlets exclusive brand outlets, factory outlets, shop-in shop, etc.
	Football Shoes	E.S.S., Nivia Sports	Adidas, Reebok, Nike, Puma, Lotto		
Lawn Tennis	Lawn Tennis Racket	Cosco	Wilson, Yonex, Babolat, Dunlop Sports, Head N.V.	Largely Foreign	<ul style="list-style-type: none"> • Traditional retail outlets like toys and games shops, exclusive sports merchandise shops, etc. • Modern retail outlets like department stores, multi-brand outlets exclusive brand outlets, factory outlets, shop-in shop, etc.
	Lawn Tennis Ball	Cosco	Wilson, Yonex, Adidas, Dunlop Sports, Head N.V.		

Selected Sports and Some of the Related Sports Equipments		Some Popular Brands (Indian/Foreign)		Equipment Procurement (Domestic/Imported)	Modes of Retailing
Golf	Golf Kits	Nivia Sports, Cosco	Callaway, Topflight	<ul style="list-style-type: none"> • Largely imported • A small proportion is locally manufactured 	<ul style="list-style-type: none"> • Multi-brand modern retail outlets, exclusive brand outlets, etc.
	Golf Sticks		Callaway, Topflight, Dunlop Sports		
Exercise Sport/Fitness Activities		VX Fitness, Aquafit, Navjit, Cosco	Precor, Life Fitness, Stex, Kettler, Aerofit , Viva	<ul style="list-style-type: none"> • Largely Domestic: Light-weight, cheap equipment like mats, skipping ropes • Fitness/gy mnasium machinery: Largely Imported 	<ul style="list-style-type: none"> • Traditional retail outlets like toys and games shops, exclusive sports merchandise shops, etc. • Modern retail outlets like department stores, exclusive brand outlets, etc. • Non-store format: Tele-Shopping, direct shopping
Roller Skating		Yonker Skates (manufacturers not retailers)	Speed Racer, Disney, Viva	Largely Domestic	<ul style="list-style-type: none"> • Traditional retail outlets like toys and games shops, exclusive sports merchandise shops, etc. • Modern retail outlets like department stores, exclusive brand outlets, etc.
Swimming		Non-branded or lesser known brands	Speedo, Puma	Largely Domestic	<ul style="list-style-type: none"> • Traditional retail outlets like toys and games shops, exclusive sports merchandise shops, etc. • Modern retail outlets like department stores, exclusive brand outlets, etc.

Source: Compiled by the authors

Table D1: Sample Distribution by Gender

Gender	Number	Per cent Share
Male	166	83.0
Female	34	17.0
Total	200	100

Table D2: Sample Distribution by Age Group

Age Group (in Years)	Number	Per cent Share
19-22	14	7.0
23-30	98	49.0
31-60	84	42.0
Above 60	4	2.0
Total	200	100

Table D3: Sample Distribution by Educational Qualification

Qualification	Number	Per cent Share
Schooling (SSC/HSC)	6	3.0
Graduate	7	3.5
Post Graduate	111	55.5
Any Other	76	38.0
Total	200	100

Table D4: Sample Distribution by Occupation

Occupation	Number	Per cent Share
Middle/Senior Officer/Executive	40	20.0
Junior Officer/Executive	58	29.0
Supervisory Level	13	6.5
Clerical	3	1.5
Salesman	4	2.0
Self-Employed Professionals	20	10.0
Entrepreneurs (Employees >10)	10	5.0
Entrepreneurs (Employees <10)	12	6.0
Entrepreneurs (Employees None)	2	1.0
Shop Owner	12	6.0
Petty Trader	1	0.5
Home Makers/Housewives	5	2.5
Students	17	8.5
Any Other (Private Service etc.)	3	1.5
Total	200	100

Table D5: Sample Distribution by Ownership

Ownership	Number	Per cent Share
Club Membership	12	6
Two Wheeler	170	85
Small Family Car	131	65.5
Luxury Car	24	12
LCD/Plasma TV	145	72.5
DVD Player	188	94
Debit Card	162	81
Credit Card	124	62
Total	200	100

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