

Analysis of india's sports goods industry



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The Sports Goods Industry was founded by Sardar Bahadur, Sardar Ganda Singh Oberoi in the year 1883 at Sialkot and Sports Equipment became the first Indian Industrial Product to be exported in 1885. The Sports Good Sector consists of both organised and unorganized sections of the industry. The Indian Sports Goods Industry thus has its origins in Sialkot, Pakistan. When India got partitioned in 1947, many Hindu artisans migrated from Sialkot to Punjab and Uttar Pradesh in India. Jalandhar is the most primary centre of India's Sports Goods Industry followed by Meerut in UP and Gurgaon in Harayana.

India is one of the largest producers of footballs and other inflated balls. The Indian Sports Goods Industry has grown tremendously since 1947. Some of the products like Cricket bat, ball, football and nets have been steadily gaining fame all over the world.

The Sports goods Industry has grown by leaps and bounds in the past five decades and has contributed significantly to the Indian Economy by way generating employment, exploiting the rural and urban potential and also by way of exports, which are increasing every year.

The Indian sports goods industry manufactures more than 300 items. United kingdom is the one of the major importer of sports goods manufactured in India followed by countries like USA, Germany, France and Australia.

Some of the major items that are exported include inflatable balls, hockey sticks and balls, cricket bats and balls, boxing equipment, fishing equipment, indoor games like Carrom and Chess boards and some protective items.

The sports Goods Industry thus provides a useful livelihood avenue and has helped preserve traditional skills acquired over generations. As some exquisite sports products require highly skilled processes to be followed for their production, the need for skilled workers in the industry is even more prominent inspite of the introduction of automated systems.

After liberalization of India and introduction of the WTO agreements, sports goods sector is experiencing tremendous competition from foreign brands.

Currently, the industry is mainly focused in the small-scale and cottage sector backed by some of the government's liberalized industrial policies.

There is also a wide scope for improving the marketing of products and modernizing the technology used for manufacturing them.

SPORTS GOODS INDUSTRY IN INDIA

The Sports goods industry is divided into various manufacturing clusters. We would be discussing the clusters of Jalandhar, Meerut and Kashmir in detail as follows:

Manufacturing cluster of Jalandhar:

This cluster is called a transplanted cluster, as a major segment of this cluster which was originally part of Sialkot, Pakistan moved to Jalandhar on India's partition. It is an important supplier of quality sports goods to more than 130 countries including some of the developed nations of the world.

The Jalandhar cluster is also the only cluster to introduce the concept of machine-stitched footballs to meet the demands of the FIFA world cup 2010 and beyond.

Skilled workers engaged in this industry are the most important parts elements in the production and are settled in camps adjacent to the manufacturing unit. The entrepreneurs setting up modern units with mechanized production systems are shifting to open space with more area to achieve better results and are away from crowded localities. The official estimate of the total number of persons working in the industry is about 1, 70, 000 while the unofficial estimate is 3, 00, 000.

MANUFACTURING CLUSTER OF MEERUT:

There are about 1250 registered and 2000 unregistered big and small sports goods manufacturing units providing direct and indirect employment to approximately 70, 000 persons in the Meerut District of Uttar Pradesh.

Supporting organizations have also grown to supply adequate quantity of raw materials to the sports goods industry and to provide training to the workers during the last few years. At the same time many schemes are operational for the development of the cluster. If given the right business opportunity to the sports goods manufacturers, this cluster can flourish.

The production is low because the units are not mechanized as only 20% of them use machinery. Also latest technology is not available which acts as a deterrent in respect of the competition from China, Pakistan, etc. About 60% total production is being exported to Australia, South Africa, England, America, West-Indies, New Zealand, Zimbabwe, Bangladesh etc., through middle men and the remaining products are sold in the domestic market across India.

There are various government bodies that help in the monitoring the progress and development of the cluster. These are listed and described briefly as under:

Directorate of Industries, U. P.: This Government body is supporting the cluster in every respect by providing training, Technical Support etc.

Process cum Product Development Centre (PPDC): It meets the technical needs of sports goods industry throughout the country in collaboration with Govt. of U. P.

All India Sports Goods Manufacturers Federation (AISGMF): It supplies the information, technology and technical training to the Industry. It also arranges the raw material for the Industry.

Export Promotion Bureau: It helps the small manufacturers to collect their product in one platform or the other so that they could export their product to other countries on low prices.

Cricket Bats Manufacturing Cluster in Kashmir:

The history of cricket bat industry in Kashmir goes back to pre-partition days when Sialkot (Pakistan) was the sports goods centre. With the partition of the Indian sub-continent, the skilled craftsmen of Sialkot shifted to Jalandhar, Meerut and the cleft makers of Kashmir turned toward newly established centers. In due course of time, the demand of the cricket bats in the country increased and cricket bats started getting manufactured to meet this demand.

The finest willow is English Willow, followed by Kashmir Willow for manufacturing cricket bats. Over 80% of all cricket bats today are manufactured in Jalandhar, Meerut, Kashmir and Jammu cities. All of them depend on Kashmir for their willow clefts.

World famous Kashmir Cricket bats industry is now facing a slow death.

Cricket Bat Manufacturers Association revealed that out of a total 300 cricket bat manufacturing units in Kashmir valley, half of them have shut their units.

The cricket bat industry is battling for survival in the state. Jammu region, which boasted of 77 cricket bat manufacturing units a few years back, has now a mere 10 units, while the scenario in Kashmir valley is no different.

Major Sports Goods Production Centers/Clusters and Product Categories:

Major Sports Goods manufacturing clusters and major product categories of sports goods produced are compiled in the following table:

Sl. No.

Location/

Cluster

Major Product Categories

1.

Jalandhar

Inflatable ball(Soccer /Rugby/Volley/Net/ Hand & Basket ball) in PU & PVC

Boxing Equipment

Cricket Equipment

Sports ware

Track and Field Equipments

Sports Training equipment

Hockey Equipment

Hockey Foam Moulded Goalie Range & Shipguards

All kinds of Nettings

2.

Meerut

Weight Lifting Equipment

Cricket Equipments

Athletics Equipments

Boxing Equipments

Table Tennis

Badminton

Carrom board

Fitness and Exercise equipment

Lane Markers

Basket ball

Netball rings

TT accessories

Sports Apparel

3.

Jammu &

Kashmir

Cricket Bats

4.

Delhi

Football

Carrom Board

Chess

Cricket Equipment

Billiards/Snooker/Pool Tables

Accessories

Football Bladders

Boxing equipment

Punching

Sports Helmets

Educational Puzzles

Board Games

5.

Gurgaon

Golf Equipment

Board Games

6.

Mumbai

Water Park Slides

Carrom Board

Payground

Fitness Equipment

Sports Nets

Helmets

7.

Kolkata

Skipping rope

Carrom Board

Magic tricks & magic apparatus

8.

Chennai

Tennis Balls, Sports Shoes and Apparels

9.

Bangalore

Bowling Equipments

Sports Medals & Trophies

Gym & Health Equipments

Productivity Growth of Indian Sports Goods Sector

Indian sports good sector is a fast growing & revenue generating sector.

Industry is clustered mainly at Jalandhar, Meerut and Jammu belt providing high employment to locals. Industry is bolstered by high labour productivity,

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low wage rates and high skill sets of labour class involved. Indian sport goods industry has dualistic nature with cheap skilled labour as one pillar and handmade product being the other.

Sports Goods sector in India comprises of organized sector which is registered under FACTORY ACT 1948 and unorganized sector (cottage industry) scattered around sports zone of Jalandhar and Meerut. Recent globalization and skilled labour has increased productivity which resulted in significant portion of total product exported from India.

Fig. 1: Labour, Capital and Total factor Productivity Growth Indices

From the above graph we can conclude that capital productivity has increased but the same period witnessed decline of labour productivity and total factor productivity. This aspects requires high capital investment, FDI & Research and Development for debottlenecking the growth and production.

Export Competitiveness of Indian Sports Goods Industry

Sports good market is facing an all out competition with expansion of Sporting giants like NIKE, ADIDAS, PUMA and REEBOK. Inspite of all these factors Indian sports goods industry has shown tremendous growth. Improved operation strategies, aggressive marketing and investment in Research and development has increased the quality production and stamped India as one of major supplier of sporting goods in global arenas. The international market awareness resulted in revamp of the industry, instigating better product development and diversification trends.

Impact of above can be seen in double digit growth rate (in RS) of Sports industry in last financial year when other sectors were facing growth crunch because of global recession.

Overall Export Performance of Sports Goods from India

According to Sports Goods Export Promotion Council (SGEPC) total export value of Indian sports industry is estimated to be around Rs 586 crores. This shows year on year growth rate of 13%. Top 5 performers which constituted for more than 60% of the total export value are Hammocks, Inflatable Balls, Boxing Equipment, Cricket Bats & General Exercise Equipment. In this Hammocks recorded a massive growth of 76% (in Rs).

India's Export of Major Sports Goods – 2002-03 to 2008-09

Country Wise Export of Sports Goods

Financial year 2008-2009 saw increase in export destination from 127 countries(2007-2008) to 137 countries (2008-2009). Top 5 destinations includes U. S. A, U. K., Germany, Australia, South Africa and accounted for 70% of the total export by industry.

India's Export of Sports Goods – 2004-2005 to 2008-09(Rs in crore)

During period 2003-2004 to 2007-2008 Export and import Trade ratio shows that India was net importer of Table-Tennis equipments , Lawn Tennis and badminton rackets, Track and field's equipments . During the same period India was a net exporter of Cricket balls, Hockey sticks, Cricket bats, Fish hooks and other line fish nets.

RECENT GOVERNMENT POLICIES FAVOURING SPORTS GOODS INDUSTRY

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Global Scenario in the Sports Goods Industry

The Sports goods manufacturing industry is booming owing to the large scale viewership of sports and the overall sports industry reaching the dizzying heights of \$ 500 million this year. Thus there are even more people who are keen to join this bandwagon and look at sport as not just a hobby but as a serious retail manufacturing business.

With the major sporting events marketed in a grandeur fashion coupled with the dire need for corporate brains to emulate the health is wealth concept, more individuals are purchasing sports goods there by promoting the global sports goods industry to elevated heights.

Online sales of sports goods is booming at 32% increase over the 12 months end of June 09. Thus selling on the net has many opportunities for sport brands, when many new retailers are entering the market on a regular basis.

An independent association called The World Federation of the Sporting Goods Industry (WFSGI) is formed by global manufacturers, retailers, suppliers, country specific federations and other sporting brands and goods related businesses. It is the world body for sporting goods industry and the IOC also recognizes it within its Olympic family. The WFSGI does not work for its own gain and is a non-profit organization helping the conglomerate of sporting bodies to work together.

The WFSGI helps the promotion of fair trade wherein more people are actively involved in sports both as a business and a career. The federation updates its members on important laws and regulations for product safety

and improved working conditions. They represent the sporting goods industry and are like a liaison between the international organizations like the UN, WTO, etc and international sport organizations like the IOC, International Federations, etc.

Sports goods manufacturers

There are many renowned manufacturers like Adidas, Nike, Puma, Slazenger, Yonex etc that are internationally acclaimed and are the global leaders in sports goods manufacturers. We will take a look at the top 3 manufacturers,

Adidas (Herzogenaurach, Germany) is an international giant for manufacturing footwear, accessories and apparels. Adidas manufactured footwear includes football, basketball, running, golf, training, outdoor and cycling shoes for men and women. Among accessories, it manufactures footballs and shin guards, tennis wristbands and caps, workout and weekender bags. The apparels include jerseys, socks, shorts and training outfits. Its subsidiaries include Reebok, Rockport and the Golf brand TaylorMade.

Nike (Beaverton in Oregon) undertakes the distributing, marketing and designing of accessories, apparels and footwear on a global basis. Nike is a world leader in sports goods manufacturer with its subsidiaries like Umbro, Hurley International, Converse and Cole Hann designer.

Puma (Herzogenaurach, Germany) Puma is into cricket equipment manufacturing since an early stage and the big boys of Adidas and Nike have recently joined the band wagon. Puma also designs, distributes and makes sports equipment, apparels and accessories.

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International Policies

Every country does its bit to ensure that the imports are low and the local manufacturers have a fair share of the markets in its domestic markets. We have given the policies of a few countries to help in this endeavour.

Brazil: The anti dumping law is a major roadblock to exploring the impending businesses forecasted due to the 2014 World Cup and the 2016 Olympics. According to this every product manufactured in China will have to pay an anti dumping charge to the Brazilian Government and this increases the price of product to be sold in Brazil. Thus local Brazilian manufactured products stand to gain from this and the international community is trying hard to revoke this anti-dumping policy.

Indonesia: To reduce the imports, every consignment of imports that enter Indonesia is subject to a stringent inspection and the cost of this is a burden to the importer. Thus the importation time increases and this encourages local manufacturers.

USA: The Obama Government has implemented a “ Section 421” that imposes certain tariffs on tires imported from China and this is expected to hold fort against the textile and apparels also from China. Since US imports 97% of its apparels, this import tariffs on China has been done to try shifting the manufacturing industry from China to Central America.

China: Many countries take a safeguard against goods manufactured and imported from China by implementing various anti-dumping laws and thus protect their trade interests with China.

South Africa: Increase in the import tariff which was already high at 40% to 45% further increases the price of imported goods in the country but this has not seen any stark change in the increase in the profits of the local manufacturers. With the sporting events like the Football World Cup and the Cricket Champions League T20 these import tariffs have not been a deterrent and the local sales plunder downwards further.

Environmental factors to be considered

Recycled materials in development of sports goods: This can be achieved by using recycled materials in part with other materials.

Environmental conservation in development of sports goods: Products that should not harm the environment have a long shelf life and are easily disposable.

Energy conservation in development of sports goods: Provides the body with the right amount of heat and cold to maintain the body temperature.

Ecological friendly methods in development of sports goods: Products that do not degrade the environment during its manufacturing process and toxic substances should be emitted away from human habitation.

Reuse methodology in development of sports goods: Products that are retooled and can be reused or may be can be converted into a different product.

Challenges faced by the Sports Goods Industry

Some of the challenges faced by the Sports Goods Industry are as under:

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Most of the industry is in tiny sector and the Production volumes are low

Low mechanization in the MSME(Micro, Small and Medium Enterprises) industry. The thrust is mainly on manual labour.

There is a dearth of research and development facilities

Lack of synergy and coordination amongst various manufacturers critical for Component Approach

Higher production cost due to low scale of production

Comparatively higher interest rates for loans

Insensitivity to customer needs/ poor channels of customer feedback and customer complaint redressal system.

Minimal expenditure on brand building, advertising

Lack of professional management

Lack of opportunities for sports goods manufacturers

Lack of Tax exemption, government support, inefficient transportation and distribution system has resulted in loss of customer and opening of many new exporting countries like China and South Korea.

Many of the importing countries are preferring Bio-Degradable goods and failure of Indian industries to come into this term has resulted in further loss of global market share.

Sports equipment does not include Gyms & health equipment, which are now very popular.

The power supply to most of the industrial units in major clusters of sports goods (Jalandhar, Meerut and Srinagar) is very erratic

Summary and Recommendations

The sports goods industry is a sector with vast potential to grow in the near future. The resilience of this industry was displayed for the world to see when it remained largely unaffected by the global economic recession in 2008. But an important obstacle to the growth of the Indian sports goods industry into an internationally competitive sector is its relatively small scale of operations (it is mainly confined to Jalandhar, Meerut, Srinagar and Delhi), as a result of which it is not able to cater to bulk demand.

Some recommendations to turn India into a world-class sports goods manufacturing hub are:

Setting up of sports manufacturing complex

Sports manufacturing clusters should be set up in Punjab, U. P and Jammu & Kashmir, where majority of sports goods are manufactured, with facilities like an information centre where all the latest information on raw materials, technology, specifications etc. is available; skill development centre for training workforce for various products being manufactured, etc.

Infrastructure:

Infrastructure at ports should be upgraded to meet international standards with quick off-loading and on-loading facilities. Also, the power supply at

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most of the industrial clusters is very erratic, with some units getting power only 3-4 days a week. To solve this problem, industrial units should be given power supply for at least 12 hours a day.

New product development

According to studies conducted by leading agencies, only 20-25 product groups are manufactured in India whereas over 100 product groups have been identified as sports equipment internationally. There is an urgent need for product diversification which can be met by establishing an R & D centre to conduct research on new products.

Raw materials

The sports goods industry faces many hurdles in obtaining several essential raw materials for manufacture of sports goods. For example, willow, which is used to manufacture cricket bats, is a type of wood which is available only in Jammu & Kashmir. However, the government has banned the movement of willow outside the state. Similar is the case with cane, which is available only in the Andaman & Nicobar Islands and the north-east. Such bans on the movements of essential raw materials should be removed.

Fiscal measures

Special incentives, for example, a tax holiday of 5 years, could be given to industries in this sector which adopt automated and modern methods for manufacturing.

Marketing and product promotion

Domestic

It is important to popularize Brand India domestically. International events which are held in India could be compulsorily required to use sports goods manufactured in India, which pass international specifications and standards. In fact, the Commonwealth Games, to be held in India in October, would be an ideal opportunity to enhance the image of Indian sports equipment and popularize Brand India. Another method could be to encourage the national sports channel, DD Sports, to air advertisements of national sports brands at concessional rates. Currently, most local brands cannot afford to promote their brands on TV.

International

Participation of small and medium Indian manufacturers at international sports fairs and exhibitions should be encouraged, with the Government subsidizing the cost of participation. Brand India should be promoted at these international fairs with publicity support from the Government. Also, the cost of obtaining international certification, which is necessary for Indian goods to be used in international tournaments, should also be borne by the Government.

Lean manufacturing techniques

A separate study on the sports goods sector should be commissioned by the government for studying the present production processes and suggest changes to improve productivity and minimize wastages and make the sector more cost-effective.

The total world trade in sports equipment, sports apparels, sports shoes, etc. is estimated to be around \$80 billion. Of this, 70% is accounted for sports apparels and sports shoes, 5% for sports accessories and remaining 25% for sports equipments. This classification does not include gym equipment, which is now becoming very popular. In India, sports equipments alone are considered as sports goods and sports shoes and sports apparels are not considered as sports goods at all. All 4 categories of sports goods should be brought together on a common platform to project India's capabilities in holistic manner.