

Comparative Analysis of Concession Operations in the Context of Property Rights between Chinese and American Professional Basketball Events

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Abstract

Concession operations in sports events, as a crucial part of the event franchise system, have become a pivotal source of revenue for event resource development. This paper, from the perspective of property rights, compares the concession models in professional basketball events between China and the United States through literature review, field research, and comparative analysis. The findings indicate that in terms of property rights structure, the property rights of professional sports events in China are attributed to individual sports associations and are under government jurisdiction; in contrast, the property rights of professional basketball events in the United States are collectively owned by the teams and are market-driven. Regarding the supply model, there is no significant difference between the concession supply of the CBA and the NBA; however, in practice, the CBA, due to the absence of a standardized concession system, exhibits low efficiency and a failure to become widespread. In terms of the consumption model, most CBA venues offer limited and sparse concession products and services, and the number of fans attending games in person is significantly lower than that of NBA events. Based on these observations, the following recommendations are proposed: firstly, to enhance the involvement of social capital by promoting cooperation between the government and social capital and encouraging social capital to actively participate in operations; secondly, to establish a standardized concession system by clarifying and confirming the interests of public and private sectors and by explicitly defining property rights and operating rights; and lastly, to improve and diversify products and services.

Keywords

Property Rights; Sports Events; Concession Operations.

1. Introduction

The concession operation during sports events is an important business area for sports organizations, involving the development of international and domestic sports events as well as the intangible assets of sports event brands. In the United States, revenue from concession operations has become one of the main sources of income for many large sports events and organizations, with tremendous potential for development. In contrast, within China's policy context, the State Council issued the "Guiding Opinions on the Standardized Implementation of New Mechanisms for Government and Social Capital Cooperation" on November 8, 2023, which pointed out that "all cooperation between government and social capital should be implemented through franchise models." Due to different sports event operation systems and a late start in franchise operations, China's development in event field concession operations is not yet mature. At the same time, there are significant differences in the property rights structure of professional sports between China and North American countries like the United States. Cooperation between government and social capital in the development and practice of franchise operations will also become a direction for the development of sports events in China.

Therefore, it is necessary to start from the perspective of property rights to conduct comparative studies on the concession operation models of professional events between China and the United States, providing reference significance for the concession operation of professional sports events in China. This can promote the development of derivative and peripheral products of Chinese sports events and form a sports event operation system suitable for socialism with Chinese characteristics.

2. Concept Definition and Theoretical Basis

2.1. Concession

Existing research on sports event franchising and related concepts provides a foundation for this paper. Xu Shufei and Xu Peiwen (2008) regard sports event franchising as a set of operational activities and define it as: the organizing committee primarily grants the use of event-specific identifiers (such as the event's name, emblem, mascot, anthem, slogan, and philosophy) as operational resources to the franchisees, who then engage in organized business activities^[1]. Wang Xiaoxi (2010) examines "sports event franchising" from the perspectives of its outward manifestation and the essence of the transaction, stating that: in terms of its outward manifestation, it appears as the operation of sports licensing products, while in terms of the transaction's essence, it pertains to the licensing, franchising, or authorization of sports licensing rights^[2]. Current research on the concept of sports event franchising is not clear-cut, and there is a lack of classification research on different types of franchising operations. When sports events, as the core product, gain a certain level of influence, the development of their intangible assets attracts more capital. Much of the research on sports event franchising remains focused on the granting of rights to operate sports event logos. However, sports event franchising extends beyond this to include franchise chain operations, which in the context of sports events, means sports clubs joining events organized by sports leagues in a unified manner. The franchising model studied in this paper emphasizes the granting of operational rights within or around sports event venues during the operation of sports events. Therefore, this paper defines the concept of sports event field franchising as: during the operation of sports events, the concession to use venues such as stadiums and parks, where concessionaires lease the right to use these spaces to sell products or provide services to generate profit.

2.2. Sports Product Association Theory

Based on the combinatorial and generative mechanisms inherent in sports products, Figure 1 can be derived. Sports events are special occurrences that offer competitive products and related service products, capable of meeting the needs of different participants to share experiences, achieving a variety of purposes and goals, and exerting impact on society and culture, nature and environment, politics and economy, tourism, and other fields^[3]. The essence of sports events is to provide competitive performance products in the form of sports activities, while also extending to products related to their functions and culture. At the same time, they provide support for peripheral products to facilitate the operation of the sports events. Professional basketball games in China and the United States, as sports products, have franchise operations that become derivatives and peripherals in their operational processes. Concession operations related to the venue can collaborate with team financing to build event venues, enrich the consumer experience for fans during the event, and share some of the venue operation risks for the team. Concession operations related to the venue play a significant role in enriching, perfecting, and safeguarding the core product of the event.

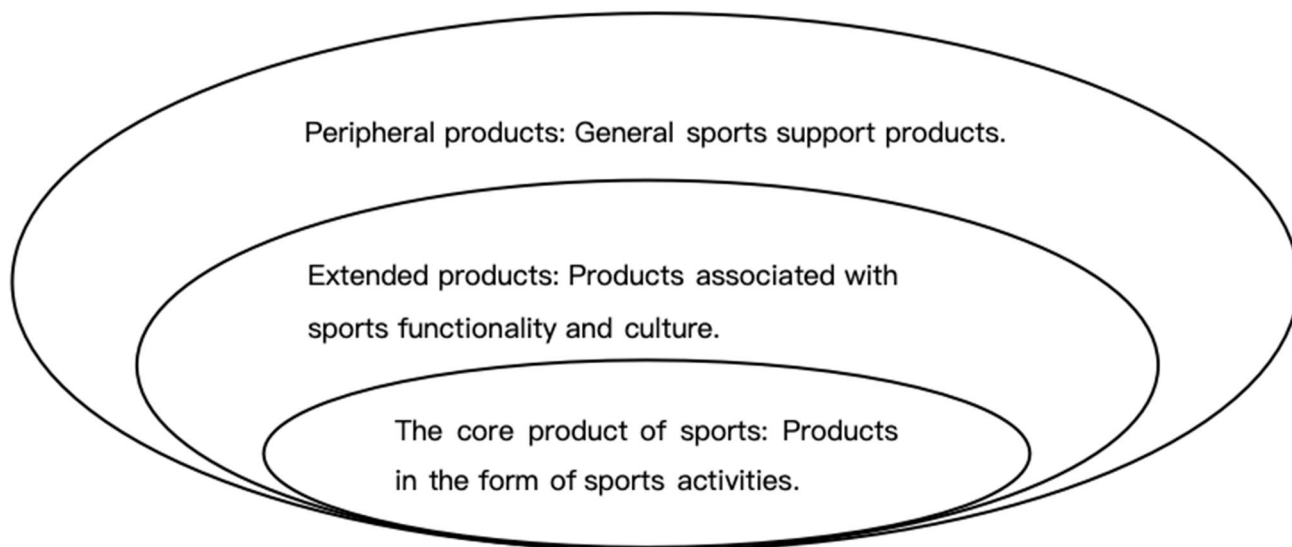


Figure 1. Dynamic Classification Diagram of Sports Products

3. NBA Concession Operations and CBA Concession Operations Comparative Analysis

3.1. Comparative Analysis of Property Rights Structures

Through the collation of literature and data, significant differences in property rights structures between American professional basketball events and Chinese professional basketball events are revealed, as shown in Table 1.

Table 1. Property Rights Structures in Chinese Professional Sports Leagues and North American Professional Sports Leagues

Property Rights Structure	North America	China
Ownership	Team-owned	Sport Association
Operating Rights	Teams and their leagues	Agent companies of Sport Association
Residual Claimancy Rights	Teams	Sport Association
Revenue Rights	Teams	Sport Association, Teams, Agent companies
Nature of Governing Body	Functional league	Government-function-oriented legal entity
Decision-making Authority on Major Matters	Collectively by teams	Teams and Sport Association
Nature of Teams	Limited Liability Company	Limited and joint-stock companies

As observed from the table, the property rights of professional sports events in China are attributed to the individual sports associations, which are governed by the government. In contrast, the property rights of professional basketball events in the United States are collectively owned by the teams and operate within a market framework. This mechanism directly leads to structural differences in the concession operation models between professional basketball events in the two countries. In the NBA's concession model, there is a mutual influence between the teams and the NBA management because the ownership of the management is shared by the teams. The management's role is to coordinate the interests of all

parties to maximize benefits, which they achieve by controlling various elements. It is through the continuous optimization and upgrading of these elements that the NBA's concession operations have grown strong. When the NBA management establishes concession systems and manages concession operations, their decisions and actions are also influenced by the team owners. On the other hand, the elements within the CBA's concession system are not significantly different from those in the NBA. However, the property rights of CBA events are owned by the Chinese Basketball Association. The concession rules and systems are uniformly established by the CBA company, which is operated by the Chinese Basketball Association. The owners of the individual teams have limited ability to intervene in the development and practice of concession systems, leading to low efficiency in the implementation of concessions.

3.2. Supply Model Comparative Analysis

Many services within sports event venues, such as catering and licensed merchandise, are predominantly provided by concessionaires who enter into franchise agreements with teams (or stadium/government authorities) to offer these services. Depending on the nature of the venue (government-owned or team-owned), the identity of the contracting party may vary, but generally, franchise agreements fall into two categories: concession contracts and management agreement contracts.

A concession contract refers to a situation where the rights to operate concessions within the stadium are fully delegated to the concessionaire, who assumes all operational risks, while the contracting party participates in profit sharing, typically earning a percentage of the revenue. This is the cooperation method for most venues with concessionaires, who measure profits primarily based on per capita consumption, influenced by factors such as product types, timing, and opponents, leading to uncertain sales revenues. Concession contracts help teams effectively mitigate risks. On the other hand, a management agreement contract involves the stadium hiring a concessionaire to manage and operate concessions, with the concessionaire only charging a management fee. This contract method is highly influenced by the team's own factors but also strengthens the team's control over the quality of products sold and services provided within the venue. Both methods have their distinct features, with the main differences focusing on who bears the risk and the distribution of profits. In a concession contract, the concessionaire bears most of the risks and profits, while in a management agreement contract, the stadium bears the operating costs and potential risks.

In terms of supply models, there is no significant difference between the franchise supply of the CBA and the NBA. However, in practice, the CBA's franchise operations have been inefficient and not widely adopted. This is largely due to the fact that most basketball stadiums in China are government-owned, with construction primarily led by the government and aimed at public service. Initially, due to the high capital investment and low return on sports venues, few private enterprises are involved. Even though some venues have gradually introduced the PPP (Public-Private-Partnership) model, the lack of inclusion of field franchise operations in the initial event or venue development projects has hindered the development of derivative and peripheral products on a large scale. As a result, field franchise operations in Chinese sports venues are mostly small stalls, with only a few fast-food enterprises like KFC participating.

In contrast, in the United States, a similar issue emerged in the 1970s. Capitalists began to be unwilling to cooperate with the government, planning to use private sector funds to build and operate large sports-themed commercial centers. Concessionaires became an important financing tool for the private sector, providing significant capital investment and bearing some risks for venue operations. The construction of large sports-themed commercial centers included extensive development opportunities for field concessions, offering a wealth of services for event consumers and generating substantial revenue for events.

3.3. Supply Model Comparative Analysis

Almost every NBA arena offers personalized services, and generally, teams arrange corresponding menus and services based on different seating levels (suites, clubs, general seating) and seasons. The service supply model is directly executed by various forms of concessionaires, where fans can go to the stores and queue up to purchase standardized menus according to their own needs. Arenas also offer seasonal food and beverages such as hot chocolate and ice cream. It's not limited to catering; any services and products related to fan needs are available, including licensed event cultural goods, books and audiovisual products, health tests and services, and leisure and entertainment options.

Average sales per customer is a key metric used by concession companies to analyze an event. The per capita sales figure is calculated by dividing the total sales revenue from the concession rights of the associated venue (minus sales tax) by the actual number of attendees, representing the average expenditure per customer. Combined with the NBA league teams' consumption index (which refers to the cost for a family of four to watch a game, including jerseys, catering, etc.), the per capita sales at concession stands for a single game can be determined, as shown in Table 2.

Table 2. NBA League Per Capita Sales per Game (2021/22 Season) (Partial List)

Rank	Team	Per Capita Sales (USD)
1	Knicks	234.18
2	Warriors	185.02
3	Lakers	177.94
4	Celtics	149.02
...
30	Hornets	59.39

Data Source: Compiled from the 2021/22 season fancostindex.

In terms of field concession revenue levels, the Knicks top this list. Knicks fans spend an average of \$234.18 per game, and even the Hornets, ranked last, have an average fan spending of \$59.39 per game. The average per capita spending at concession stands across all 30 teams during the 2021-2022 season reached \$110.96. This gives a clear sense of the substantial economic revenue behind the NBA's associated venue concessions.

In contrast, in the CBA, most stadiums fail to meet the diverse needs of fans due to supply constraints. Zhejiang Province, with its higher level of economic development, still has stadiums primarily owned by the government. A summary of CBA arenas in Zhejiang, combining field surveys and literature collection, reveals that catering services at the Hangzhou Olympic Sports Center (main venue for Hangzhou CBA games) are quite scarce. Fans attending games at the Hangzhou Olympic Sports Center cannot re-enter after leaving, and there is only one KFC within the venue. Once inside, fans must rely on this single KFC outlet for all their food needs. Additionally, there are three licensed souvenir shops within the stadium, but they offer few CBA-related concession products. At the China Textile City Sports Center in Shaoxing, while the surrounding development is more comprehensive, the in-venue offerings are limited to simple items like cola and popcorn. The Jiyang College Sports Center, located within the Jiyang College of Zhejiang A&F University, has a student cafeteria nearby, but the development of services around it is very sparse. There are no services within the stadium to provide food and souvenir sales for event attendees. The singular and insufficient supply of field concession products struggles to drive fan consumption during sports events, which is the current state of most stadium concessions in China.

3.4. Offline Event Fan Participation Comparative Analysis

According to the sports product association theory, the sports events provided by teams are the core products in the sports industry, from which sports competition concession products are derived. The level of competition and excitement of offline events, as well as the capacity of the venue, directly affect the participation of fans in offline events. Fan participation in offline events directly drives the market vitality of field concessions within the venue.

Due to the impact of the pandemic in recent years, both CBA and NBA offline events have been affected to some extent. Therefore, this paper has compiled statistics on the average number of fans per game for the three seasons before the pandemic and the attendance rate for one season before the pandemic for reference. See Table 3 and 4.

Table 3. Average Fan Attendance per Game for the 2015-2018 Seasons

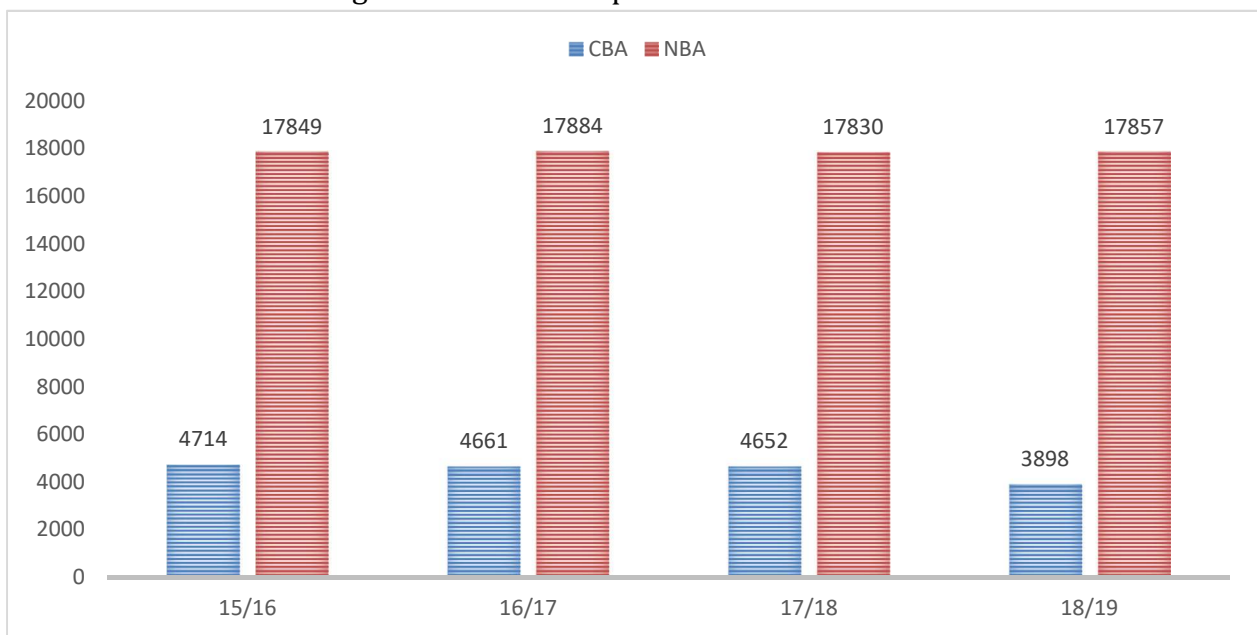
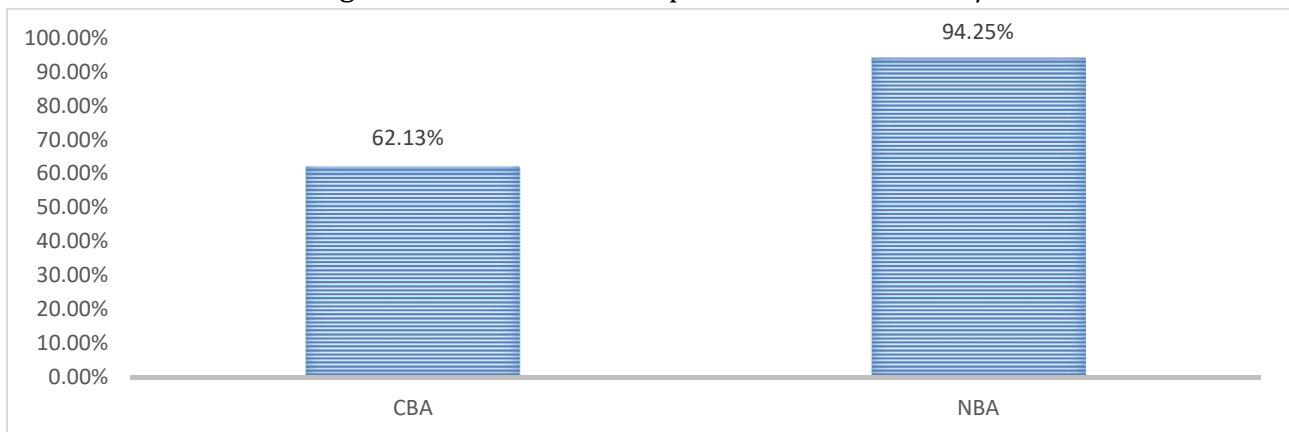


Table 4. Average Fan Attendance Rate per Game for the 2018/2019 Season



Tables 3 and 4 clearly reflect that NBA games have a significantly higher average attendance and occupancy rate compared to CBA games. Taking the 2018/2019 season as an example, the average attendance at NBA games is about four times that of the CBA, indicating a smaller consumer group for CBA events in China. Additionally, the occupancy rate for NBA games is nearly 30% higher than that of the CBA, suggesting a lower consumer appetite among Chinese

sports fans for CBA games. Based on the formula "average venue capacity * average attendance rate = average attendance," the average capacity of CBA venues is calculated to be 6,273 people, while for NBA venues, it is 18,996 people. The average venue capacity of the NBA is three times that of the CBA, highlighting a significant disparity in stadium supply between the CBA and the NBA.

4. Summary and Strategy

Sports event field concession operations are an important business area for sports organizations, playing a significant role in ensuring the highest level of customer service and maximizing operational revenue for venues. Based on the dynamic model of sports product associations, the core sports products, which are the sports events themselves, have generated substantial economic benefits in the form of field concession operations and sports derivative products in the U.S. professional basketball league. This paper starts from the perspective of property rights to compare the field concession operations between the CBA and NBA. By studying the field concession operations of U.S. professional basketball events and considering the characteristics of property rights in Chinese professional basketball events, this paper aims to provide insights tailored to China's context for the field concession operations in Chinese sports events, with the expectation of promoting the development of resource exploitation in Chinese sports events.

4.1. Increasing the Participation of Social Capital

4.1.1. Promoting Government and Social Capital Cooperation

Despite the significant differences in property rights structures between Chinese professional sports and North American professional sports leagues, China also has its own franchise operations. As shown in Table 1, Chinese professional sports events are currently concentrated in the hands of the government. According to the theory of "limited government," the government's supply capacity is limited and cannot meet the diverse, specialized, and personalized sports demands of the people. Savas, an American scholar advocating for the "privatization" of public services, proposed shifting the role of the government from a producer to an arranger where private producers take the lead. The Chinese Basketball Association, which should be a social organization, has become a unit with administrative capabilities due to systemic reasons, integrating decision-making, management, and actual operations. This system leads to unclear division of labor, decentralized management, and poor business operations. This paper believes that the experience of franchise operations in American professional sports can be realized in the franchise operations of Chinese government-purchased sports services. On November 8, 2023, the State Council issued the "Guiding Opinions on the Standardized Implementation of New Mechanisms for Government and Social Capital Cooperation," which pointed out that "all cooperation between government and social capital should be implemented through franchise models." Promoting cooperation between government and social capital in Chinese professional sports events will develop a franchise path with Chinese characteristics. Increasing the transformation of government services to franchise arrangements with private sector producers can improve the efficiency of event development and provide consumers with more comprehensive services.

4.1.2. Active Participation of Social Capital in Operations

In the 1960s and 1970s, most sports facilities in the United States, like those in China today, were government-owned and operated in cooperation with society. By the late 1980s and early 1990s, taxpayers began to refuse to cooperate with the government to build such facilities. Teams that had been operating and controlling stadiums began to build their own stadiums, including luxury suites, private club seats, private restaurants, and sufficiently favorable

service points. In this process, the property rights of sports event venues began to transition from the government to the teams. Franchise companies became important financing partners for teams in building stadiums.

Under the macro environment of national promotion of sports industry development, the CBA company has strongly supported clubs. Capable team clubs can consider cooperating with franchise companies to build comprehensive sports stadiums, perfectly integrating team culture with city culture to create landmark buildings in the city. Sichuan Jin Qiang Club has taken the lead in this area, investing in the construction of an International Sports Center. Clubs can also establish long-term cooperative relationships with stadiums that can accommodate tens of thousands of people to ensure sufficient say in venue operations. At the same time, in terms of franchising, authorize different franchisees to build parking lots, restaurants, offices, entertainment, and shopping places, allowing consumers to enjoy a variety of services such as dining, entertainment, office, and shopping while watching the game, providing consumers with a comfortable consumption experience.

4.2. Establishing a Standardized Concession System

4.2.1. Clarifying and Determining the Interests of Public and Private Sectors

After clarifying the interests of the government and social capital, a clear distinction should be made between public welfare consumption and commercial consumption. By tendering out commercial stalls at sports events and introducing a competitive mechanism, the independent operation rights of sports social organizations can be ensured while also promoting the cultivation and upgrading of China's social sports organizations. This approach aims to create large-scale comprehensive service complexes centered around sports in major stadiums and venues. Clarifying and determining the interests of both public and private sectors is the starting point for franchise operations in China's professional sports.

4.2.2. Clear Definition of Property Rights and Operating Rights

When introducing social capital into franchise operations for Chinese sports events, although operational rights are transferred to social capital, the government still retains the right to veto operational decisions. It is necessary for the public sector to have veto power over operational decisions to ensure the sustainability of resources, environment, and assets. However, the contractual negotiations between the government and social capital can lead to low efficiency in the operation of franchises. Therefore, for low-cost franchise stalls, it is necessary to accelerate the popularization of cooperation between the government and social capital in sports events, and to quickly form standardized model contracts to improve the operational efficiency of franchise operations in Chinese sports events.

4.3. Establishing a Standardized Concession System

Improving field concession products and services in China's sports venue operations is crucial, as many CBA clubs, still influenced by a planned economy mindset, have overlooked the importance of catering to their core supporters-the fans-by providing services such as catering within the venues. Being audience-centric means offering events that fans enjoy and making the venue a place they like to visit for enjoyment and relaxation. The key to attracting consumers lies in the products and services associated with field concessions. Therefore, the CBA league should focus on three main areas to enhance field concession products and services: first, broadening the range of service products to include jerseys, souvenirs, catering, and more, to meet consumers' personalized needs; second, increasing service channels by offering services beyond traditional fixed shops, such as mobile stalls, online ordering through mobile clients, or shopping; and third, recognizing that the quality of sports events as the core product is key to fan attendance, and improving the excitement and quality of events will directly boost revenue from field concessions related to the events.

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