

The Economic Challenge and Opportunity of Sport Industry in Taiwan

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ABSTRACT

Heavily influenced by the development of globalized sport, the sport industry in Taiwan faced a tremendous growth and challenge in recent years. The purpose of this article is to describe and analyze the current market environment and development trends in Taiwan, and the challenges and opportunities for future development are also introduced. The short communication is solely based on the official reports, industry experience and practical observation to explain the current performance of Taiwan's sport industry.

Keywords: Sport Industry; Manufacture; Innovation; Technology Development; Environmental Protection

1. Introduction

In response to the growth of all sectors of the sport industry, particularly health-related fitness, many universities in Taiwan have established undergraduate and graduate sport management program since 1995 to train and prepare qualified human resources. Top level talents with international perspectives are cultivated in the disciplinary areas of marketing, research and development (R&D), production and administrations with a special vision on the expanding global market of the sport industry. Taiwan's sport industry has been known for its entrepreneurship and technological innovations [1]. Taiwan today is a symbol of energetic economy through benign competition. According to the Global Competitiveness Report 2010 released by the World Economic Forum, Taiwan ranks the thirteenth overall on the global scale and seventh for the innovation factors. The estimated size of Taiwan's sport industry is approximately US\$3.5 billion in 2011 according to the report of Council for Economic Development and Planning in Taiwan. This value is expected to increase to US\$9.3 billion in 2015 [2]. With its success in the fields of information technology (IT) and electronic innovation, Taiwan has achieved a head start in the sporting goods race. The vibrant growth of the sporting goods industry is supported by two factors. First, the established supply chain ensures an extremely sound production and sales of sporting goods. Second, improved public awareness for the importance of health and exercises worldwide have increased demand and sales [3]. As Taiwan is widely considered as a world leader in information technology (IT) advancement, many manufac-

ture companies have invested in the design and production of renovated products that provide a better quality of exercise, experience, enjoyment, and safety. Lately, these value-added products have become a mainstream of sporting goods.

Many small- to medium-sized sport businesses have been formed since the late 1970s and they are driving the intensified market competition, elevated products quality, and product line transformation today. Such achievement is mostly due to domestic producers' efforts in constantly introducing foreign cutting-edge technologies, persistently upgrading manufacturing and R&D capabilities, rapidly responding to market needs, determinedly stabilizing product quality, tirelessly developing sound up-, mid-, and down-stream sectors, and steadily maintaining efficient management. Many sporting activities are popular in Taiwan. Taking bicycle industry as an example, a comprehensive industry chain has been formed. All the small- and medium-sized component vendors, such as wheel, lighting, and derailleur, are working together with leading industry players to create a giant bicycle industry in Taiwan. Due to the rising oil prices and environmental awareness, bicycling has become one of the most popular outdoor activities worldwide. Taiwan, known as "the bicycle kingdom", produces almost 90% of bicycles worldwide. With the support from the government, manufacturers, retail chains, and marketers are expected to make Taiwan a "bicycle paradise". Similarly, golf club heads, yachts and fitness equipment are other manufactures highlighting Taiwan's achievement in the sporting goods sector. Sporting goods vendors have often integrated infor-

mation and communication technology (ICT) to enhance their distinct features and competitive advantages.

2. The Challenge of Sport Industry in Taiwan

The structure of Taiwan's sport industry has played a fundamental change since 1990. Following the trend of technology integration and innovation, the sport industry is also drawing a new landscape. Nonetheless, comparing to the development of sport industry in North America that is positioned among the top 15 industries, the current total production value of Taiwan's sport industry is accounted for only 0.87% of GDP. The future development of the entire industry is confronted with a number of challenges. First, there are still no integrated connection between the sporting goods manufacturing business and participation in sports, the various production lines continue to move outward that have led the rising of unemployment. If the negative effect continues in its current form, domestic economy can be affected. Despite the increase of income and leisure time among Taiwan residents, the consumption-based sports (e.g., participation and spectatorship) and other related recreation activities are popular leisure options only a few urban areas. Another challenge is the displacement effect on the manpower of sport industry. In the last decade, Taiwan's government has dedicated to construct sport infrastructure such as major sport facilities, yet neglected to timely introduce professional human resource into the part of sport service industry. How to cultivate and develop human resources in accordance with the industrial demand has become an urgent issue.

Additionally, public perception of sports still remains in the scopes of fitness, exercise skills or health needs. Thus, leading residents to integrate personal knowledge and further pursuing a higher level of life quality through participating in sports and recreation activities is essence of sport policy. Finally, the current industrial structure appears to the incongruous relationship between public and private sectors, and public administration fail to play active and effective management capabilities. The development of private for-profit enterprises is often restricted by public administration. In this case, whether outsourcing or managing private profit-making enterprises is subject to various legal restrictions such as construction law, business law, etc. For example, it is infeasible to locate fitness center in a residential area. Thus, once the concessionaire regards business survival as a priority, or their operation strategies cannot meet the government's requirement, they won't devote themselves to the specialized manpower, hardware and software configurations, and professional services, so that the people generally cannot enjoy the high quality sport services in Taiwan.

3. Innovation Assures Business Advantage

With advanced industrial background, Taiwan has made noteworthy progress in technological integration in recent years, including 3C (*i.e.*, communications, information technology, and consumer electronics) integration for the information technology and communications industry, paving the way for hi-tech application in the sporting goods industry. Moreover, backed by their manufacturing bases in Southeast Asia and China, Taiwanese producers can flexibly provide sporting goods in different athletic styles, prices, and volumes. Equipped with the above-mentioned advantages, Taiwanese producers are actively making themselves known to the world that they are at the forefront of the international sporting goods industry. The success of Taiwan in nurturing a potential industry may encompass the winning strategies needed to expand into a global market. In the leisure economy era, the bicycle, outdoor goods and fitness equipment Industries are reorganizing their best practices and aggressively expanding research and the development of innovative products to meet international market expectations and to increase global sales.

4. The Prospect of Environmental Protection for Sport Industry

Global warming and energy consumption issues are also making individuals to cherish nature and bring them closer to the natural environment. The trends for R&D of environmental friendly materials mainly focus on the reusable, bio-decomposable, naturally organic and non-toxic characteristics. Additionally, in spite of the brilliant prospects in sport industry, the core value of this industry is that consumers pursue for physical and spiritual health, even entertainment. As quoted from the motto of Patagonia: "There is no business on a dead planet", if people cannot engage outdoor activities, the sport industry will fall. Therefore, when the trend has changed as more people come to realize that cycling is not merely of economic benefit, enterprises need to be equipped with long-term vision and responsibility of environmental protection and not to be limited by the current regulations.

5. Conclusions and Suggestions

The sport industry is one of the fastest growing sectors worldwide. With the increasing disposable income and broader range of sporting activities combined with the growing awareness for the needs of healthy and balanced lifestyle, consumers are spending more time and money to enjoy sports and leisure activities.

The activities and derivative value of the global sport industry will indicate tremendous growth. In response to the era of green economy, Taiwan is expecting to utilize

its superior engineering capability in order to explore emerging opportunities in sport industry. Based on the diverse and beautiful natural environment, Taiwan is an ideal venue for further developing the sports and leisure sector. Conversely, high quality labor and manufacturing technologies make Taiwan an ideal partner for global sporting equipment brands. Regardless of the specific products in the sport industry, bicycles, yacht building, fitness equipment, golf clubs, or sportswear, relentless innovation and the promise of customer success assure the continuing competitiveness of design and manufacturing in Taiwan.

China has become the factory of the world and its sporting goods exports now exceed those of Taiwan. However, a large portion of exported goods are from factories invested by Taiwan manufacturers. Taiwan producers have placed stress upon the international division of labor to keep competitive. Through internal integration and closer cooperation with other companies, they are striving to enhance brand image to become even more globally competitive.

In the global sporting goods market, the share of leading brand names has not been extraordinary. Total sales volume of the world's ten leading brand names account for less than 20% of the global market. However, the situation is expected to change in the future. Famous brands such as Nike, Reebok and Adidas, with the advantage of brand image, continue to expand their production lines and markets. Meanwhile they are using OEM or ODM to collect high-quality products with competitive price to sell under their own brand names. Taiwan's financial might has let it mobilize mail promotions, open

new markets that offer after-sale services. It is foreseen that big companies will become even larger and stronger in the market [4].

In face of the above trends, Taiwan makers continue to enhance domestic R&D and marketing of high-tech products while expanding their use of overseas production bases. They may also apply the successful experiences of Italy and Switzerland in transforming and upgrading traditional industries such as shoe-making, garments and watch-making. In addition, the supply-demand chain may be changed from the upstream to the downstream factories to create more business opportunities for both suppliers and buyers. Participation in international promotion activities and various manufacturers association will also help improve Taiwan's advantage in international marketing to let the Taiwan sporting goods industry be even more cooperative on the international market.

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