The development of sports industry in South Korea, 2009–2016

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Abstract: In this study, changes and trends in South Korea’s sports industry were examined to explore the effects of South Korea’s sports industry on the country’s economic growth. To this end, specific topics—such as the definition and characteristics of South Korea’s sports industry, the classification system for the country’s sports industry, and economic implications presented from the examination of the annual status of the country’s sports industry—were analyzed based on the 2009–2016 data that were deemed the output of a concrete analysis on the status of South Korea’s sports industry. As a result, the following conclusion was obtained: Over the review period, the number of business establishments, the number of employees, and domestic sales increased, but exports decreased in South Korea’s sports industry. This indicates the growth of domestic demand during the period. However, the future expansion of export sectors in the country’s exports industry is likely to play a pivotal role in growing its economy further.

Subjects: Sport and Leisure Studies; Sports Development; Asian History

Keywords: sports industry; South Korea’s sport; sport and economy; survey of the actual status; sports policy

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PUBLIC INTEREST STATEMENT

In this study, changes and trends in South Korea’s sports industry were examined to explore the effects of South Korea’s sports industry on the country’s economic growth. To this end, specific topics—such as the definition and characteristics of South Korea’s sports industry, the classification system for the country’s sports industry, and economic implications presented from the examination of the annual status of the country’s sports industry—were analyzed based on the 2009–2016 data that were deemed the output of a concrete analysis on the status of South Korea’s sports industry. As a result, the following conclusion was obtained: Over the review period, the number of business establishments, the number of employees, and domestic sales increased, but exports decreased in South Korea’s sports industry. This indicates the growth of domestic demand during the period. However, the future expansion of export sectors in the country’s exports industry is likely to play a pivotal role in growing its economy further.
1. Prologue

Germany, which was defeated in the Second World War, recovered from the ravages of war in a short period and achieved economic growth. This amazing event was described as “The Miracle on the Rhine” around the world.

Until the 1940–1950 period, South Korea was an economically stricken country that underwent Japanese colonial rule and damage from the Korean War. Political and economic experts all over the world predicted that South Korea would not easily get out of its poverty.

However, South Koreans achieved remarkable economic growth that surprised the world by exhibiting their national character despite their difficult circumstances, and this achievement was praised as “The Miracle on the Han River” by being likened to “The Miracle on The Rhine.” Of 85 countries that became independent after the Second World War, South Korea is the only country that has succeeded in industrialization and democratization in about 70 years. The country has also joined the ranks of advanced countries with the former status of an underdeveloped county and a developing country.

In addition, South Korea’s gross domestic product (GDP), which indicates the economic status of a country and the living standards of its people, exceeded 1,400 billion USD (world’s 11th) as of November 2016. The country’s gross national product (GNP) is about to achieve 30,000 USD, registering 27,340 USD (world’s 28th) as of March 2016.1

With this economic growth, South Korean society has recently taken an active interest in how the country’s citizens can increase and effectively use their leisure time. Moreover, the South Korean government is seeking to prepare various national-level measures to help its citizens pursue and realize an enriched life.

In other words, citizens’ quality of life is emerging as important in South Korea in accordance with the country’s economic growth. Moreover, the country has entered the era of centenarians due to an increase in the average life expectancy, and it is also facing national problems, such as an aging population and low birthrates.

For this reason, social problems—such as rapidly rising medical costs for the elderly and a shrinking workforce—are emerging, and the government is actively carrying out national policies that encourage citizens to engage in sports activities, with a growing emphasis placed on the need for maintaining and improving public health.

In addition, South Korea has achieved a grand slam among the world’s major sporting events by hosting the Summer and Winter Olympics, the World Cup, and the World Championship in Athletics, which are the world’s top four international mega-sporting events.

The fact that South Korea hosted not only one but four of the world’s largest mega-sporting events means that the country’s status has been enhanced in the international community. As present, South Korea is the fifth country that has hosted all the world’s top four mega-sporting events, following France, Germany, Italy, and Japan.2

Based on a review of South Korea’s past sports policies, the country initially carried out sports policies with a focus on training elite players, but South Koreans’ perception of sports has changed since the successful hosting of various international mega-sporting events.

Accordingly, an amendment of the National Sports Promotion Act (which proposed the integration of the Korean Olympic Committee that was the country’s representative sports organization centered on elite sports and the Korea Council of Sport for All, with a focus on sports for all citizens), was drafted to establish an advanced sports system and approved in the National
Assembly plenary session on 3 March 2015. Consequently, the two organizations were combined and reborn into the Korean Sport & Olympic Committee in March 2016.

As this shows, the successful hosting of various international mega-sporting events enabled South Korea to continue the scientific and systematic training of elite players. Moreover, changes in the perception of sports and sporting activities among South Koreans are generating significant interest in both sports for participation and sports for spectatorship (such as professional sports) in the present social setting, which is characterized by increased free time following economic growth and the government's active support of sports.

Ultimately, it is not an understatement that sports-related industries are positioning themselves as a collective industrial medium that enhances national competitiveness and spurs national growth.

The sports industry creates added value through sports-related commodities and services. Specifically, it creates added value by producing and distributing tangible and intangible commodities and services, such as the goods, equipment, facilities, services, games, events, and lessons that are required for sporting activities. Moreover, in relation to the National Sports Promotion Act, the sports industry may encompass manufacturing, construction, and service businesses that support individuals to make good use of their leisure time through physical activities such as sports, games, and outdoor exercises, as well as sports information provision and sports event businesses that produce and distribute commodities and services to offer sports as passive entertainment.14

In modern society, this sports industry has essential functions and implications for citizens' ability to pursue a healthy and high-quality cultural life. Moreover, because the promotion of the sports industry is becoming a basic common interest of South Korean society, the sports industry has a public interest-oriented characteristic. The sports industry has a social mission of contributing to the lives of citizens by supporting the development of sports in various directions, and fulfilling this task requires ties between schools, industries, and government agencies. At the same time, the sports industry itself should always carry out its projects from the viewpoint of consumers and enable sports to fully perform their various functions. In addition, sports share globally standardized technologies and rules, have an extensive market base as a worldwide common culture, and are emerging as important business players along with the rapid growth of information and communication technology.5

In other words, given that health, a common goal shared among most global citizens, is largely pursued through exercise, and given that the technologies and rules associated with sports are globally standardized and identical, the sports industry does not remain a single country's policy-oriented industry. Rather, it is connected with various industries and has a wide consumer base that comprises a majority of individuals in the global market. This also explains why the sports industry is treated as an independent policy domain for the economic growth of a country.

In this study, South Korea was selected as the research subject because it is the only country that has succeeded in industrialization and democratization in only about 70 years among the countries that became independent after the Second World War, and because it is one of the few countries to rise to the ranks of an advanced country from the former status of an underdeveloped country and a developing country. In view of South Korea’s remarkable economic growth in such a short period, which surprised the entire world, this study aimed to analyze changes and trends in South Korea’s sports industry to explore the effects of South Korea’s sports industry on the country’s economic growth. To this end, the following detailed research tasks were established: first, it is aimed to examine the definition and characteristics of South Korea’s sports industry; second, to examine the classification system for South Korea’s sports industry; third, to analyze the economic aspect of South Korea’s sports industry, which includes the number of business
establishments, the number of employees, turnover, domestic sales, and exports that were presented by surveys of the annual status of the country's sports industry.

This study intends to examine the real status of sports industry change and the development trend for investigating how Korean sports industry has an influence on the national economic growth. Therefore, this study investigated and analyzed the real status of the materials abstracted from 2016 to 2019, taken from “Survey Report on Actual Condition of Sports Industry”, classified with respective years, and issued by the Ministry of Culture, Sports and Tourism of Korea. Concretely, this study investigated the definition and the characteristic of Korean sports industry, looked into the classification system of Korean sports industry, and analyzed the economic aspect of business number, employees, sales, domestic consumption, and exportation suggested by the investigation real status of Korean sports industry classified with respective years.

2. Understanding of sports industry in South Korea
According to Article 2 (2) of South Korea's Sports Industry Promotion Act, the sports industry creates added value through sports-related commodities and services. This sports industry is largely divided into “sports goods business” that produces and consumes various items related to sports events, “sports facility business” that involves the construction, lease, and management of stadiums, and “sports service business” that covers professional sports, racing (bicycle, motorboat, and horse racing), sports marketing (agents, etc.), and sports-related information, education, game, and tourism businesses.6

In addition, the sports industry has various characteristics as a collection of businesses that belong to different industrial categories in each field.7 For example, the sports industry is characterized as an “industry that has a complex industrial classification structure,” a “space and location-centered industry,” an “industry that typically consumes time,” an “industry that deals with final consumer goods and services,” and an “industry that inspires people and enhances their health.”

The sports industry is considered an important industry as an independent policy domain for each nation's economy due to its characteristics, such as “a high value-added industry,” “infinite growth potential,” “its values as a media tool,” and its “contribution to public welfare.”

Concretely, sports industry produces the products of star players with higher value added by international megasports events or prosports. It holds the productivity of star player’s ability with the unique value of sports combines, offers informational value preferred by consumers, produces added value through the type of sponsorship or player endorsement. If it becomes a complex industry linked with existing industries such as manufacturing business, service business, and distribution business, it will grow limitlessly better than other contents. That is, it is an industry holding endless growth potential that can create a new market through fusion and complex with other industries. So, it is effective in creating added-value and occupation. In addition, sports event meetings are broadcasted as important contents of various kinds of media. Many sports event meetings, arenas, and sports hold values as media. So, they are used for important marketing means of businesses. Furthermore, it contributes to the enhancement of people’s life quality more than other industry through the participation in sports. So, it is an important industry as an independent policy area for national economy.

3. Classification of South Korea's sports industry
In January 2000, the Special Classification for the Sports Industry V1.0 was established in consideration of the characteristics of South Korea's sports industry, and it consisted of three large categories, 12 middle categories, and 23 small categories.

In June 2008, the Special Classification for the Sports Industry V2.0 was established as a modified version of the Special Classification for the Sports Industry V1.0 to meet the requirement for designation among Nationally Approved Statistics. This renewed version comprised four large
categories, 15 middle categories, and 46 small categories. Here, “sports media” (sports broadcasting businesses and sports newspaper businesses) was added as a small category to reflect the current conditions of the sports industry.

In December 2012, the Special Classification for the Sports Industry V2.0 was amended. As a result, the Special Classification for the Sports Industry V3.0 has been applied since the 2012 survey on the actual status of South Korea’s sports industry. This latest version consists of three large categories, seven middle categories, 20 small categories, and 65 smallest categories. Here, the large categories include sports facility, sports goods, and sports service businesses. The sports facility business is again divided into sports facility operation business and sports facility construction business. The sports goods business is divided into exercise and sporting event goods-manufacturing and exercise and sporting event goods-distribution and lease business. The sports service business is divided into sporting event service business, sports information service business, sports education institution business, and other sports service business.

4. Examination of the status of South Korea’s sports industry between 2009 and 2016

Regarding the surveys on the status of South Korea’s sports industry, the data for up to year 2008 were not officially surveyed and produced upon their designation as nationally approved statistics; rather, they were produced to raise the practicality of policy decision-making in the Ministry of Culture, Sports and Tourism, the office of primary responsibility for the sports industry. Accordingly, the data for the year 2009, which were surveyed in 2010, were the first produced based on the standards for Nationally Approved Statistics (No. 113021). For this reason, the present study intended to analyze the data derived from the annual surveys on the status of South Korea’s sports industry, specifically the 2009–2016 data surveyed between 2010 and 2017, because these data were deemed the output of a concrete analysis on the actual conditions of South Korea’s sports industry.

In addition, according to the Special Classification for the Sports Industry V3.0 in Appendix, which was revised in December 2021, the 2012–2016 data that were surveyed between 2013 and 2017 were analyzed using 65 smallest categories. Meanwhile, the data for 2009, 2010, and 2012, which were surveyed in 2010, 2011, and 2012, respectively, were analyzed using 46 smallest categories according to the Special Classification for the Sports Industry V2.0.

The analysis of the status of South Korea’s sports industry as of 2009 (surveyed in 2010) based on the old classification (The Special Classification V2.0) showed the following results: In the sports industry, there were 62,184 business establishments, and the total turnover was 33.456 trillion won. Of the turnover, domestic sales and exports amounted to 32.575 trillion won and 874 billion won, respectively. In addition, the total number of employees was 210,000, and operating profits were 4,994 trillion won.

The analysis of the status of South Korea’s sports industry as of 2010 (surveyed in 2011) based on the old classification (The Special Classification V2.0) presented the following results: In the sports industry, there were 69,315 business establishments, and the total turnover was 34.482 trillion won. Of the turnover, domestic sales and exports accounted for 32.627 trillion won and 1,855 trillion won, respectively. In addition, the total number of employees was 234,000, and operating profits were 3,930 trillion won.

The analysis of the status of South Korea’s sports industry as of 2011 (surveyed in 2012) based on the old classification (The Special Classification V2.0) showed the following results: In the sports industry, there were 69,027 business establishments, and the total turnover was 36.513 trillion won. Of the turnover, domestic sales and exports accounted for 35.234 trillion won and 1,279 trillion won, respectively. In addition, the total number of employees was 236,000. Of the turnover of 36.513 trillion won, operating expenses and operating profits accounted for 33.195 trillion won and 2.958 trillion won, respectively.
The analysis of the status of South Korea’s sports industry as of 2012 (surveyed in 2013) based on the new classification (The Special Classification V3.0) in which 20 new business types were added, showed the following results: In the sports industry, there were 84,246 business establishments, and the total turnover was 57.479 trillion won. Of the turnover, domestic sales and exports amounted to 56.309 trillion won and 1.170 trillion won, respectively. In addition, the total number of employees was 342,000. Of the turnover of 57.479 trillion won, operating expenses were 56.309 trillion won, and operating profits were 4.203 trillion won at a profit ratio of 7.3%.13

The analysis of the status of South Korea’s sports industry as of 2013 (surveyed in 2014) based on the new classification (The Special Classification V3.0) produced the following results: In the sports industry, there were 9,493 business establishments, and the total turnover was 61.853 trillion won. Of the turnover, domestic sales and exports registered 59.978 trillion won and 1.875 trillion won, respectively. In addition, the total number of employees was 355,000. Of the turnover of 61.853 trillion won, operating expenses accounted for 54.471 trillion won and operating profits accounted for 7.382 trillion won at a profit ratio of 11.9%.14

The analysis of the status of South Korea’s sports industry as of 2014 (surveyed in 2015) based on the new classification (The Special Classification V3.0) showed the following results: In the sports industry, there were 92,293 business establishments, and the total turnover was 63.149 trillion won. Of the turnover, domestic sales and exports amounted to 61.654 trillion won and 1.494 trillion won, respectively. In addition, the total number of employees was 373,000. Of the turnover of 63.149 trillion won, operating expenses accounted for 57.304 trillion won, and operating profits were 5.845 trillion won at a profit ratio of 9.3%.15

The analysis of the status of South Korea’s sports industry as of 2015 (surveyed in 2016) based on the new classification (The Special Classification V3.0) showed the following results: In the sports industry, there were 93,350 business establishments, and the total turnover was 65.145 trillion won. Of the turnover, domestic sales and exports registered 64.135 trillion won and 1.314 trillion won, respectively. In addition, the total number of employees was 383,000. Of the turnover of 65.145 trillion won, operating expenses amounted to 59.233 trillion won, and operating profits amounted to 5.912 trillion won at a profit ratio of 9.1%.16

The analysis of the status of South Korea’s sports industry as of 2016 (surveyed in 2017) based on the new classification (The Special Classification V3.0) exhibited the following results: In the sports industry, there were 95,387 business establishments, and the total turnover was 68.432 trillion won. Of the turnover, domestic sales and exports amounted to 67.142 trillion won and 1.290 trillion won, respectively. In addition, the total number of employees was 398,000. Of the turnover of 68.432 trillion won, operating expenses were 62.218 trillion won, and operating profits were 6.214 trillion won at a profit ratio of 9.1%.17

5. Conclusion
The purpose of this study was to examine changes and trends in South Korea’s sports industry to explore the effects of South Korea’s sports industry on the country’s economic growth. As a result, the following conclusion is presented.

First, Article 2 (2) of South Korea’s Sports Industry Promotion Act states that the sports industry creates added value through sports-related commodities and services. This sports industry is largely divided into “sports goods business,” “sports facility business,” and “sports service business.” Moreover, the sports industry is an “industry that has a complex industrial classification structure,” a “space and location-oriented industry,” an “industry that typically consumes time,” an “industry that deals with final consumer goods and services,” and an “industry that inspires people and enhances their health.”

Second, in January 2000, the Special Classification for the Sports Industry V1.0 was established. This consisted of three large categories, 12 middle categories, and 23 small categories. Based on this initial version, in June 2008, the Special Classification for the Sports Industry V2.0 was introduced to meet the
requirements for designation among Nationally Approved Statistics. This version comprised four large categories, 15 middle categories, and 46 small categories. In December 2012, the Special Classification for the Sports Industry V3.0 was established with three large categories, seven middle categories, 20 small categories, and 65 smallest categories. This latest version has been applied to date.

Third, according to the data derived from surveys of the status of South Korea’s sports industry, which were conducted based on the Nationally Approved Statistics, most areas—including the number of business establishments, the number of employees, turnover, and domestic sales—increased during the 2009–2016 period irrespective of the old or new classification. However, exports steadily fell over the review period under both old and new classifications. In specific, exports amounted to 874 billion won in 2009, the year when the Nationally Approved Statistics were first surveyed based on the old classification. This value more than doubled to 1.855 trillion won in 2010. However, exports dropped in 2011, registering 1.279 trillion won. Similarly, under the new classification, exports amounted to 1.170 trillion won in 2012 and surged to 1.875 trillion won in 2013. However, exports have continued to decline since then, with values of 1.494 trillion won in 2014, 1.341 trillion won in 2015, and 1.290 trillion won in 2016.

In conclusion, South Korea’s sports industry is witnessing growth in such areas as the number of business establishments, turnover, and domestic sales, but it is seeing declines in exports, which indicates a much larger proportion of domestic demand over overseas demand. In other words, South Korea’s sports market has been booming based on international mega-sporting events that are hosted in the country, domestic professional sports, and sports for all. However, most individuals around the world seek to enhance their health through exercise, and the technologies and rules for sports are globally standardized and identical. Therefore, South Korea’s sports industry should expand its export sectors by considering that the sports industry has most individuals as its consumer base in the global market and benefits from connectivity with various other industries. In doing so, South Korea’s sports industry is likely to play a pivotal role in accelerating the country’s economic growth.

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Appendix
The analysis of the status of South Korea’s sports industry as of 2016 (surveyed in 2017) based on the new classification (The Special Classification V3.0) exhibited the following results: In the sports industry, there were 95,387 business establishments, and the total turnover was 68.432 trillion won. Of the turnover, domestic sales and exports amounted to 67.142 trillion won and 1.290 trillion won, respectively. In addition, the total number of employees was 398,000. Of the turnover of 68.432 trillion won, operating expenses were 62.218 trillion won, and operating profits were 6.214 trillion won at a profit ratio of 9.1%.
