Revival of a Sustainable Revenue Model in Football during an Unprecedented Crisis

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Abstract

Background: Professional football leagues or clubs sustain in the industry only because of revenue generation. When it comes to professional football it is nothing different from the other sports. Mostly, all the professional sports are dependent on mainly four sources of revenue generation namely broadcasting, merchandising, sponsorships and ticketing. But, during a situation of an unprecedented crisis, the normal revenue generation model gets impacted and thus needs to have an alternative in order to revive the existing paradigm of revenue. Methods: This research was undertaken based on the opinions of the football industry experts and case studies, in order to prepare a sustainable revenue model. Conclusion: This research would state a comprehensive approach to adopting a sustainable revenue model during such exigencies. Every football league or club has some sort of a revenue model which they use professionally in order to generate revenue. It is also true that, depending on the total operating revenue at the end of a particular season, the leagues or clubs plan and prepare their revenue model for the next season.

Keywords: Professional football, Revenue Model, Revival, Unprecedented Crisis

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1.Introduction:

Football is the sport that is most widely followed in the world. It is estimated that more than half of the world’s population follow football. The beauty of the game is the reason that attracts fans from across the world. The FIFA World Cup, UEFA Champions League, English Premier League, La Liga, etc. are few of the football competitions that is most widely watched in the world. There are many leagues and clubs in professional football from all across the world. These leagues or clubs can thrive in the footballing world due to the surplus generation of revenue. There are basically four major sources to generate revenue namely gate sales or match day sales, merchandising, broadcasting and sponsorships. Now, the amount of revenue generation from each of these sources varies from league to league or club to club. For example, clubs like Real Madrid, Barcelona, Manchester United, etc. earn much more from merchandising when compared to any other club. The reason behind this is because they have the highest number of fans from across the world. Now, when we talk about the revenue generation of football it is quiet a debatable topic among people. There are various approaches to the revenue model in professional football. Following are the few approaches of the revenue model in football: “MCMMG (Medias-Corporations-Merchandising-Markets-Global)” this model was proposed by Andreff and Staudohar (2000). “SATI model (Sponsors-Actionnaires-Television-International)” was proposed by Bourg and Gouguet (2012).

In light of the present days, the football leagues or clubs earn lion’s share of their income from broadcasting. The MCM model (Media-Commercial-Matchday) is the most relevant model, when
we talk about revenue generation in modern day football (3). When, we talk about professional football a club’s sporting success and commercial or business success go hand in hand (4, 5). If we consider clubs like Real Madrid, Barcelona, Manchester United, Bayern Munich, etc., are few of the most successful clubs in the world, both in terms of winning major tournaments as well as in making a lot of revenue. Thus, it can be said that in order to maximise profit a club must also perform well on the field (6). If we take the example of Leicester City, the season (2015-16), in which they won the English Premier League, their starting eleven had a market value of EUR 46 million. After the end of the season there was a 91% rise in the market value of the starting eleven (7). A club’s sporting success, fans and media are all correlated. The viewership ratio and fan-following of a sports franchise is directly proportional to its sports success. Thus, the media companies portray the quality of the particular club in front of the world in such a way, that big investors start investing their money in the clubs, in order to buy top players, coaches and staffs. This can be called as a vicious cycle of revenue generation in football (8, 9). In professional football, we have seen that the format of various major leagues or tournaments have changed over time. Now, if we take the example of UEFA Champions League the format of the tournament got changed over time. During 1994, it had 16 participating teams, then four years later it had 24 participating teams and from the year 2000 it got increased to 32 teams. Thus from here we can understand the level of competition got doubled over a period of six years. Is it only that the level of competition increased? The answer is NO (9). Here, not only the level of competition increased but also the revenue generation of the league got increased. There was an overall increase in the key performance indicators of the league namely supporters, sponsors, broadcasters. Over a period of 10 years the generation of revenue got increased 10 times (3). Probably, this is also one of the major reasons why FIFA is wanting to host the 2026 World Cup with 48 teams.

Now, when there is a situation of an unprecedented crisis, the normal way of generating revenue by the leagues or clubs gets impacted. Thus, this leads to huge financial losses by the leagues or clubs. Global pandemic, natural disasters, man-made disaster, economic recessions are all examples of an unprecedented crisis. In order to overcome these situations the leagues or clubs must have some pre-planned revenue generation structures. So, when we talk about an economic recession it leads to unemployment and generally there is a decrease in the income of people. Thus, people become reluctant to attend any kind of event that involves a huge cost (10). In this kind of situation like a global recession, people barely try to spend money on anything which is not a necessity, rather they start focusing more on saving from whatever little amount they earn (10). The economic recession however increases a sport participation in the amateur level but reduces participation in the professional level, as because people won’t be able to afford the season tickets or membership fees for a club (10).

The impact on the revenue generation on football clubs and leagues after an unprecedented crisis is significantly important and thus requires immediate action to revive the loss (10). It is very true that all the sectors are very badly affected during a period of an unprecedented crisis, and there is not much of a proper academic guidance in order to overcome from these situations (12). Though there have been research studies made for the revival of the revenue generation for non-sports industries, but very little attention had been paid towards the sports industry (13).

Thus, to summarise in the previous papers, researchers have mentioned about the revenue generation structure in football, but no proper study has been made yet as to how a football industry can run during a time of crisis. Since, football is the biggest part of the sports industry and brings in a lot of revenue in the industry, this paper will particularly concentrate towards the football industry. Therefore, the purpose of this paper is to identify or investigate a proper revenue model that will help the football leagues or clubs to survive during a period of an unprecedented crisis. This paper will help the professional football to get a different idea in order to generate revenue during uncertain times and not suffer huge amount of financial loss.

2. Material & methods:

2.1. Selection of the subjects: The researchers have selected twelve experts from the football industry from different part of the world. All of them are between the age group of 28 to 45 years. Out of the twelve experts, ten of them are male and two are female. They are all very well experienced individuals and have worked in various well known football clubs and leagues in the world. A purposive sampling technique has been used in order to do the
research study. The subjects have primarily been identified on the virtue of their influence and presence in this sector.

2.2. Selection of the Variables: In this paper we are trying to propose a sustainable revenue model during a time of unprecedented crisis. So, here the independent variable is the time of unprecedented crisis and the dependent variable is the model of generating revenue during that particular time. The other variable would be the demographic factors like country of origin and socio-politico factors that significantly aid the generation of sports-based revenue.

2.3. Data collection: Responses have been collected by conducting interviews with the football industry experts and also case study models have been used to do the research. The interviews had been conducted over telephone calls where we recorded their responses, through emails and also online chatting through social media (LinkedIn) platforms were used for connecting with few of the experts. A couple of questions were being asked to all the ten experts, based on which they had shared their opinions. The questions needed descriptive answers and hence we got the same. The mode of virtual interactions and a viva-voce approach to assessing their responses had been followed. This enabled me to get a cohesive understanding of the drawbacks and nuances of revenue generation in sports.

3. Results and Discussion:

Now, in order to elaborate on the results part, the researchers are going to discuss about the revenue models in four different scenarios of unprecedented crisis. It is pretty obvious that the same revenue model won’t be sustainable in different unforeseen scenarios. But, we can have a closer look as in how the revenue model which has been discussed in this paper fits in all the different scenarios. So, in order to understand it in a better and broader perspective we are now going to discuss the results which we have got from the case studies and responses from the industry experts.

Scenario 1: A man-made disaster can also result to a situation of an unprecedented crisis. When we talk about man-made disasters it is nothing but hooliganism in football or fight between rival fans in the stadium. The resulting factor of these man-made disasters are not only restricted to loss of human life, but also results in the financial loss of the football clubs and leagues. If we take the example of four such stadium disasters (Ibrox, Glasgow in 1971, Bradford in 1985, Heysel in 1985, Hillsborough in 1989) were caused due to fights between football fans (17). So, during those times not much attention was paid towards the safety and protection of the spectators (2). These killings and destruction of stadiums resulted to a ban of English football clubs for five years and more. Thus, these clubs couldn’t participate in any European competitions which in turn resulted to a financial loss (18). So, later on efforts were made in order to build modernised stadiums. The bowl shaped design of modern day stadiums fulfils all the requirements of the spectators. The stadiums now concentrate on the spectator’s safety, visibility and comfort. The total number of normal exits and emergency exits in a stadium has also been increased since then. There is also a certain percentage of seats reserved for the away fans in every stadium (19). Thus, this helps in controlling conflicts between fans and the decorum of the stadium is also maintained. So, basically investing a large amount of money in building modernised stadiums is going to serve well in the long run and also help to control these unforeseen circumstances.

Scenario 2: Now, considering the situation of an economic recession, it leads to unemployment and all the sectors tend to spend as less money as possible. So, in order to overcome from a situation like this, the football clubs can start producing products for merchandising and licensing in-house. Thus, this will help the clubs not to pay any extra money to the third party vendors. For example, FC Barcelona has exactly used this same strategy and they have seen a significant growth in their revenue. Thus, this will help the clubs to have a control over their promotion and selling of the products (14). Signing of marquee players, at an affordable budget can also be a great source of revenue generator of the club during a time of economic recession. The signing of top level players into clubs increases the club’s brand value. For example, when Juventus signed Cristiano Ronaldo, the club not only saw a significant rise in the social media followers of the club, but also had a
The club had made a huge amount of revenue from merchandising, after the signing of this marquee player\(^{(16)}\).

Scenario 3: A global pandemic or natural disaster can follow the same revenue model. Since, in both these situations people prefer to stay at home and consume football. So, if we see the revenue from ticket sales or gate sales gets impacted, hence the football industries need to find some other alternative in order to recover this money. There are several innovative ways to revive the generation of revenue during a time like this. Applying for e-donations, data exploitation for betting, selling data, online broadcasting, fan engagement with players through social media networks, online sponsorship, putting photos and cut outs of fans in the stadium in exchange of money. These are the few factors which can help a football league or club to sustain during a time like this. So, basically if we see during this kind of situations earning revenue through online mediums is the best and sustainable option in order to generate the revenue.

In order to comprehensively analyse the sustainable model that the researchers have proposed, shall be discussed about the increased influence of online media and sports broadcasts. The primary aim of this model is to pace up the fiduciary losses incurred by the sports industry due to this unprecedented crisis.

This is a statistical representation showing the top 10 football clubs in the world in terms of revenue generation. From this graphical representation, it is quite evident that all the ten clubs have increased their revenue generation in two consecutive seasons.

Through the analysis with means of the opted model, it has been observed that during the next six months, broadcasting rights will become the most financially rewarding and quickest developing including its following components which really help compensate international sporting events earnings. These same initial three divisions – issuing tickets, endorsement and merchandise sales – are expected to hit $400 million, $3.2 million, as well as $400 billion, respectively, by 2024. Financing would be guided by considerations like standardized privileges and on-the-spot signs, although franchise growth and new building acquisitions would gain seats.

The year is expected to have been the first season in which television deals will overshadow issuing tickets revenue streams. Profitability from broadcasting rights would be about $15.9 hundred million, while cash flow from the digital entrance will achieve $32.8 million annually. Considerations involving intensified rivalry for access across mainstream broadcasters and better pathways towards revenue generation through digital channels are liable for both the value of

![REVENUE GENERATION](image)

**Figure 1. Comparison of Revenue Generation over two seasons**
broadcasting access throughout the immediate future. This statistics has been developed in accordance with the research that has been proposed by Deloitte Football money league\(^{(14)}\).

![KPMG Football Benchmark data (match day revenues comparison).](image)

Slashing and increasing viewing in sporting would not have a huge effect on income from broadcast rights over the long term. However according JP Morgan, pay-tv expenditures was expected to rise to 5 per cent per annum, up against 1.2 billion in 2017. In comparison, as per Reuters, the total ratings of Fox sports plummeted 7 per cent and 11 per cent YoY in 2015 as well as 2016 accordingly. Indeed, advertising privileges are estimated to possess the largest C at 4.3 per cent.

Nonetheless, broadcast revenues are predicted to see the fastest CAGR in the chief games industry categories by 2021 at 4.3 per cent. Many sport assets agreements are secured into 2021, contributing to sustain the development of this market. Television rights sales increase also represents the price that is already charged for live sporting events — professional sports compensated for 34 of Television’s leading 50 widely viewed shows in 2017, as per software companies who buy live sporting material don’t dilute the interest of broadcasting rights. Currently an increasing array of streaming firms have gained sporting assets to attract audiences moving further from mainstream TV. Facebook has the opportunity to air all the La Liga matches this year\(^{(15)}\).

Pricing by various firms is expected to push the sporting rights rates up, suggesting uniqueness will not be as important to the worth of a deal. In fact, direct-to-consumer streaming entertainment initiatives are similar to traditional channels which, as per this research model, are expected to maintain customer acquisition, restating that internet businesses are currently preserving the interest of sporting licenses. This research also contains the compilation of a detailed report on the digital disruption of live sports due to such unprecedented crisis.

The main dimensions that it will handle are:

- Examines the constantly changing environment of live sporting events.
- Analyses how and why the loss in sports broadcasts challenges of this financial model.
- Features resources for the viable younger entrants in the digital sports broadcasting domain.
• Provides for incentivizing established live sports networks on that now.

Broadcasting and broadcast providers in the sports domain both need to change their operating strategies to operate in a modern television world created by innovations. Many others have reached internet platform via regional channels, add-on apps or web video sharing to do so. Numerous efforts to contribute positively by repurposing filmed sporting in the context of daily shows, including reviews, clips and unique material. Those around mainly broadband because of the coherence of their corporate framework premised on membership revenues merely mandate the material for a sequence of incidents, tournaments or seasonal changes to several other subscription services.

The major media outlets, on the other side, have reduced significant advertisement profits because TV slots have fallen in popularity aligned with the growth of other outlets that broadcast football. Most importantly, broadcasters have negotiated programming agreements with Netflix's likes that have reinforced the latter’s sales with that latter’s price of service. This perspective is to be kept in mind while deciding the sustainability of the revenue model. The primary focus of any amendment to the present model shall have demarcated focus on the licensee and broadcasting restructuring.

At the very same period, amazon prime and those around are delving into media distribution to start generating one’s own visuals; a move likely to prefigure analogous reasoning from either the proprietors of major sports subject matter. It is fair, at minimum, to allow sport stakeholders to release pieces of one’s material to streaming networks. The growth of virtual channels has of necessity caused a sufficiently high increase in demand. An increasingly increasing organizational paradigm includes online advertise-through or video-on-demand whereby customers procure or lease filmed displays, videos, or activities. Google and Microsoft are indeed the pioneers in the region; however the concept doesn't really favourably fit towards sports broadcasts without the need to gain the privileges to case, match or sports games.

User-generated video services like YouTube, dependent on ads, require certain sporting footage but often blacklist others, depending on their media owners’ diligence in detecting copyrighted infringements. For both the point of time, live sports broadcasts are not part of the layout. Therefore, the role of advertisements in break periods to generate revenue can help to achieve sustainability on the long term.

In light of the online-broadcasting based revenue model, the SWOT statistical model of analysis, the following salient features have been identified from the multiple expert subjects.

Strengths: While the general streams of revenue are very convention, brand strategy also allows for creativity and the need for being dynamic. Skeleton revenue models are already being included as part of brand strategy in sport and having a sustainable revenue stream that overall supplements the prospective entity. Diversification of brand offering could help minimise loss of revenue and brand value. This can give an added incentive for brands to activate more online and engage with fans that are currently spending a lot of time consuming content digitally. Due to the entire games being broadcasted online, the space for advertising sports infrastructural components has evolved. Therefore, commercial brands have utilised this infrastructure to promote its market reach. Social media will have to be used to the maximum to keep fans engaged for pre, during & post matches/tournaments. They need to focus on driving revenue through digital and data i.e. OTT, online sponsorship, online merchandise, e-donations and subscriptions etc. apply for Grant's and foundations. The exploitation of data for betting - selling data, rev via e-sports, fantasy and mobile gaming, rev via apps etc. can also be substantiated. The Clubs need to pivot to driving revenue via digital. There are many revenue streams - each clubs most conduct an audit on them and see where the opportunities are and growth areas during times like these. Also look to new revenue such as sports, betting etc.

Weakness: Public shutdown of any kind will result in revenue stream halt as the highest quality of sport cannot be consumed. As appealing as the no- fans and isolated format of sport kicks in, it keeps viewership of competitive sport only limited to digital platforms. This online broadcasting model focuses on a short term approach of generating revenue, however in the sports domain, long-term approaches are far beneficial. The broadcasting based model is a singular approach and is therefore heavily dependent on a single stream of information. Any technological glitches and drawbacks can lead to collapse of the entire broadcasting model.
Opportunities: The introduction of AR and VR will be a huge platform for sponsorship and engagement. The entire sports industry saw the use of this technology and was quite well received as per my knowledge. Football already uses AR and VR in athlete training modules and thus will be a good investment for crisis time revenue streams which can be integrated with conventional sport paradigms once we are back to top quality of sport. Focus also must be on developing core values around the product which could enhance platforms of communication and engagement with prospective consumers. It is also suspected that a lot of experimental short-term models to come up as contingencies for sport in general. The only option at this stage is to be innovative and build value through content online. Opportunity to showcase to fans a different side of the clubs and leagues, maybe more in depth player access. Finding different sectors/categories for sponsorship could be another way to generate revenue. Categories that were earlier not thought about could easily have new partners come on board, for example: webinar partner, sanitization partner and possibly others. Over the last couple of years, the importance of TV rights has overcome significantly the ones from the match day and sponsorship. This is why for the leagues it is crucial to make sure that they can keep the highest safety standards to prevent the further spread of potential viruses (like covid-19) if a pandemic situation happens again. They need to make sure that they can deliver full seasons as otherwise their incomes from TV rights holders will drop.

Threats: Clubs should be managed as companies with the objective of profit and not do everything as a lost cause. Point this, the sponsorship will be less and less if companies enter an economic crises and sport’s probably will have to make partnerships with other kinds of brands with were not used to see associated with sports in the past.

4. Conclusion:

Thus to conclude, all football leagues and clubs must have a holistic strategy to use technology trends for fan engagement. In other words, fans are considered as customers, once sport organizations extract enough from the technology trends such as social media, e-sport, gaming, etc. They will enhance the fan experience and will increase the fan base. By having a holistic strategy, and providing an appropriate content 24×7 off the stadium will help them survive the unpredictable situations.

As mentioned above, according to the authors opinion it is necessary to have a unique approach in generating revenue during unavoidable circumstances. It can be definitely argued that having a unique approach for earning revenue considering every emergency situation. Sustainability is the right word to use here to strengthen the opinion. Economic sustainability is one of the most important aspect of any sport organizations. Having an approach that provides organizations, leagues, clubs, etc. is the basic aspect to survive and to success.

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