

CREATING
RISK
INTELLIGENT
PROFESSIONALS



GRMI

**GLOBAL RISK
MANAGEMENT
INSTITUTE**

Risks in English Premier League/European football/6-12-21

*BY Aquib Patankar
Aditya sai*

PROGRAMME
ENDORSED BY



ASSOCIATE
PARTNER



STRATEGIC
PARTNER



ASSOCIATE
MEMBER



STRATEGIC
PARTNER



INDEX

- 1) Introduction
- 2) Top 5 biggest leagues and their finances
- 3) Transfer market and Player Valuation
- 4) Risks affecting European football/English premier league
- 5) Framework
- 5) Risk mitigation and European Football.
- 6) Sports washing A major ethical challenge to football
- 7) Future of European football

Introduction



- European football is one of the most popular sporting events across the world
- It includes some of the most watched football leagues in the world like English premier league, La liga, bundesliga, Ligue 1 & the Italian Serie A.
- Champions league organised by UEFA is the one which garners one of the most views across sporting events worldwide.
- UEFA also organises UEFA Europa league and the conference league which are there particular to ensure participation for clubs miss out champions league qualification
- Out of all the League competitions English Premier league continues to be the most watched and the leader in overall money being generated with 5 clubs being included in the top 10 highest valued clubs across the world

TOP 5 biggest leagues and their finances

Chart 1: European football market size - 2018/19 and 2019/20 (€ billion)

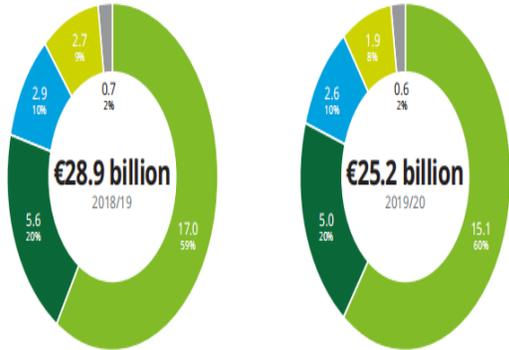


Chart 3: 'Big five' European league clubs' revenue - 2017/18 to 2021/22 (€ billion)

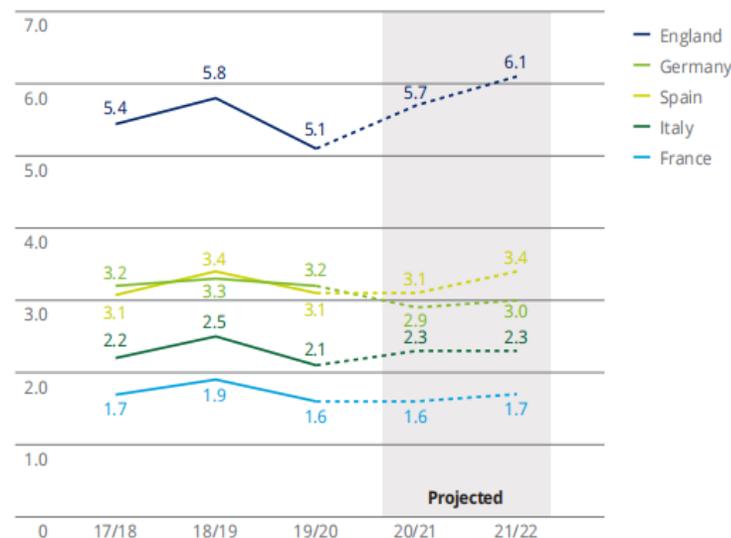
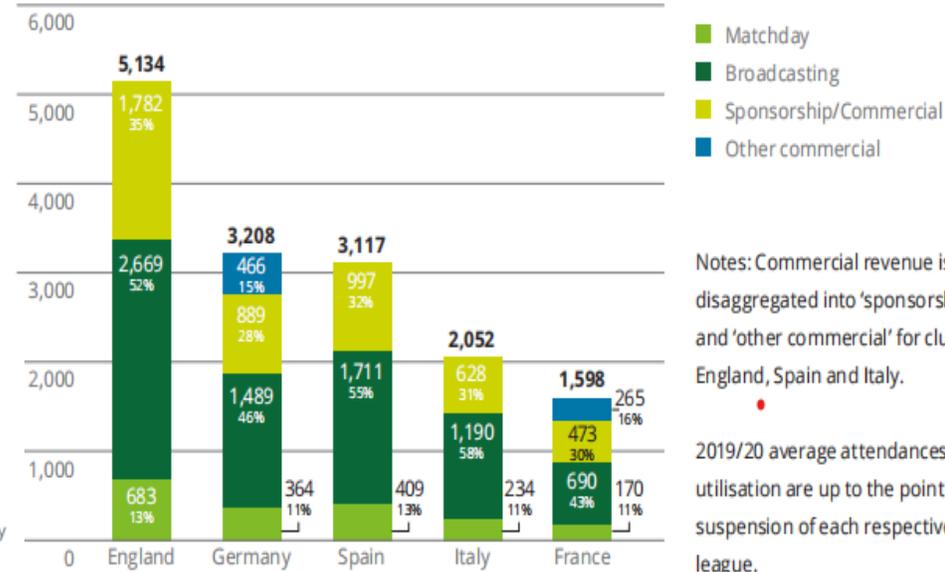


Chart 2: 'Big five' European league clubs' revenue - 2019/20 (€m)



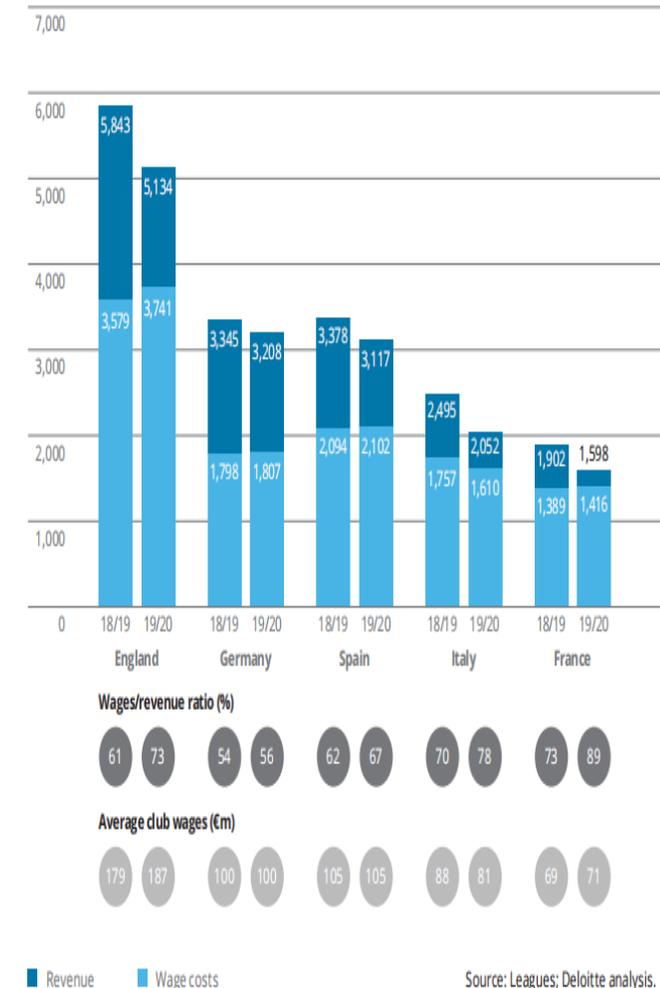
Notes: Commercial revenue is not disaggregated into 'sponsorship' and 'other commercial' for clubs in England, Spain and Italy.

2019/20 average attendances and utilisation are up to the point of suspension of each respective league.

Source: Leagues; Deloitte analysis.

League	England	Germany	Spain	Italy	France
Average revenue per club (€m)	257	178	156	103	80
Average match attendance	39,591	40,444	28,862	26,352	22,546
Stadium utilisation (%)	98	91	75	66	73

Chart 4: 'Big five' European league clubs' revenue and wage costs - 2018/19 and 2019/20 (€m)



Source: Leagues; Deloitte analysis.

Transfer Market and player valuation

Player evaluation

In the history of football, 10 transfers have been made for at least 100 million EUR, including the highest one for 220 million EUR (Neymar to Paris SG in 2017).

. It should be added that players of a club are not only acquired by transfers. A club can also have players from their youth academy, players that joined the club by a free transition (as they were not bound by a contract with any other club), or players that are loaned from another club

Obtaining a good economic valuation of football players is highly valuable because allows, to some extent, the valuation of the club, budget planning, and remuneration

Some key factors while evaluating economic value of a transfer are

- Player's playing position (i.e. goalkeeper, defender, midfielder, forward);
- Age and nationality;
- Contract: assessment of a player's contractual situation with his current club;
- Individual sports performance: assessment of the player's on-pitch performance (e.g. goals, assists, minutes played, dribbles, tackles);
- Disciplinary actions (i.e. number of fouls, number of red and yellow cards);
- Assessment of the player's performance with his national team (e.g. number of international matches, international goals);
- Assessment of the player's media and commercial potential
- Team performance and characteristics: sporting results, league competitiveness, economic and financial aspects of the club, etc.;
- Team dependence: evaluation of the importance of a given player in his playing team;
- Timing of player's transfer and economic profiles of potential recruiting and selling clubs.

Competitive Advantage and Dominance

Super League's causes

Revenue Domination

Revenue evolution

Domination

Broadcasting revenue

Commercial revenue

Matchday revenue

Player revenue

Champions League revenue

- Revenue evolution history
- Revenue evolution in numbers
- Revenue shares

- Domination and industrialisation
- Domination and 1st mover advantage
- Domination in the Top 20
- Domination inter-league
- Domination intra-league

- Broadcasting revenue history
- Broadcasting revenue evolution
- Broadcasting revenue dominance

- Commercial revenue history
- Commercial revenue evolution
- Commercial revenue dominance

- Matchday revenue history
- Matchday revenue evolution
- Matchday revenue dominance

- Champions League revenue history
- Champions League revenue evolution
- Champions League revenue dominance

Risk and Innovativeness

Super League's causes

Revenue Domination

Revenue evolution

Domination

Broadcasting revenue

Commercial revenue

Matchday revenue

Player revenue

Champions League revenue

Future

- Revenue evolution history
- Revenue evolution in numbers
- Revenue shares

- Domination and industrialisation
- Domination and 1st mover advantage
- Domination in the Top 20
- Domination inter-league
- Domination intra-league

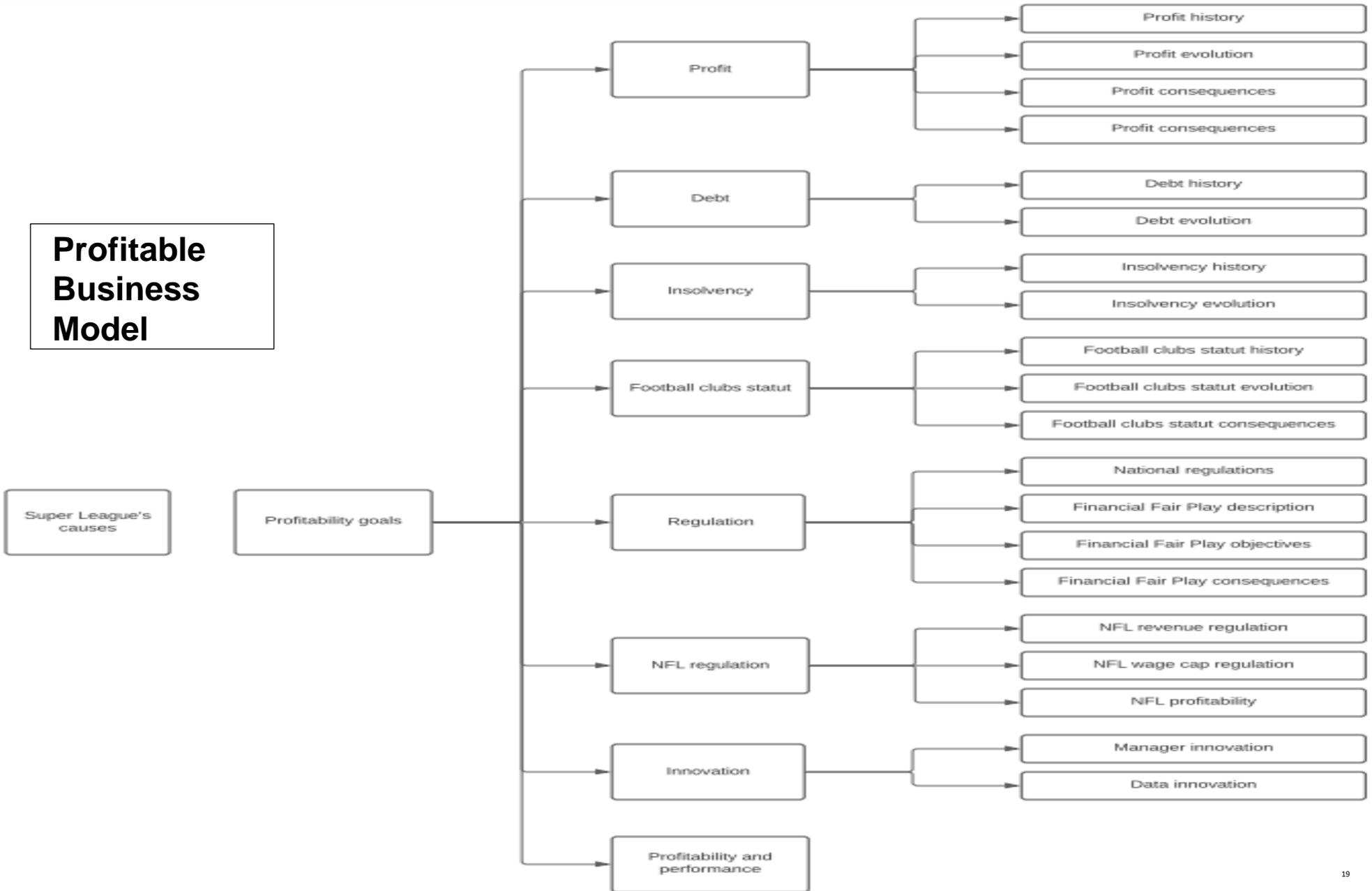
- Broadcasting revenue history
- Broadcasting revenue evolution
- Broadcasting revenue dominance

- Commercial revenue history
- Commercial revenue evolution
- Commercial revenue dominance

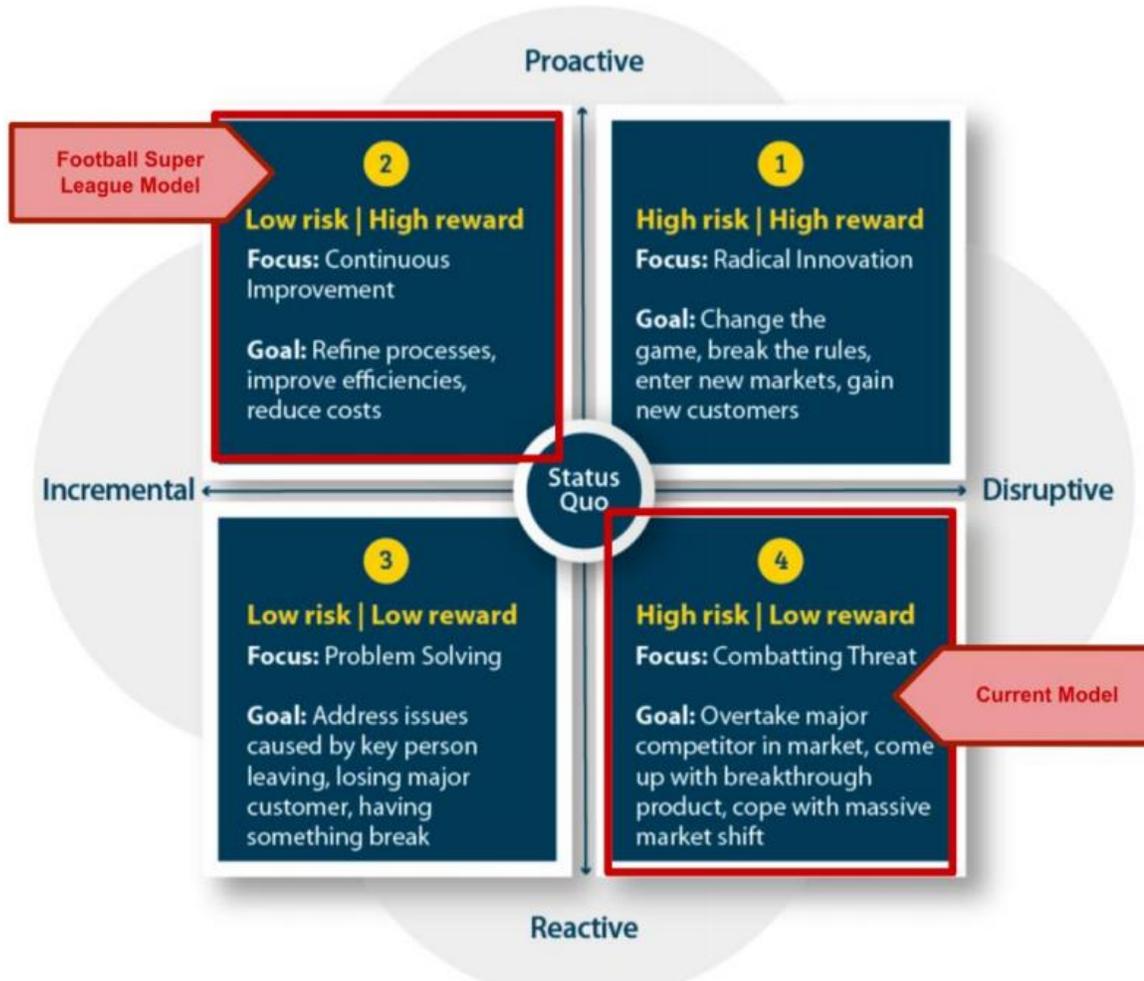
- Matchday revenue history
- Matchday revenue evolution
- Matchday revenue dominance

- Champions League revenue history
- Champions League revenue evolution
- Champions League revenue dominance

Profitable Business Model



Risk mitigation and European Super League



Big 12 clubs in Europe came together in Europe to mitigate some of the biggest risks facing football world. Though the implementation flopped, it raised some very important questions about some of the biggest **Risks** facing European football.

- 1) Increasing crystallisation and polarisation of various clubs' economic power
- 2) Media landscape and evolution through digitalisation
The Gen-Z football fans are more tech-savvy and expect top-end digital entertainment and connect.
- 3) The rise of player power over a club's pull, this continues to be a major risk. Top three followed football players have more Instagram followers than top 5 clubs combined, for example. Retaining such players and maintaining the brand come at huge costs which, through the current business models, is no longer sustainable.
- 4) Rise of esports and other video game business- the avenues of entertainment have also changed over generations. Esports and video games are expected to be the most popular form of entertainment for the next generation.

Risk mitigation and European Super League

Unprofitable

The majority of clubs that joined the European Super League posted steep losses in the 2019/2020 season



Source: KPMG Football Benchmark
Note: Data not available for Liverpool.

Bloomberg

5) Huge economic losses and piling amounts of debt fattered by the emergence of pandemic have threatend to impact long term of financial sustainibility of all major clubs

6) Even pre pandemic lack of stabilising cashflows to sustain sporting performance was a major challange

Clubs have had a limited control on governance of international club competitions and revenue distribution while the entire enterprise risk alone is to be borne by the club

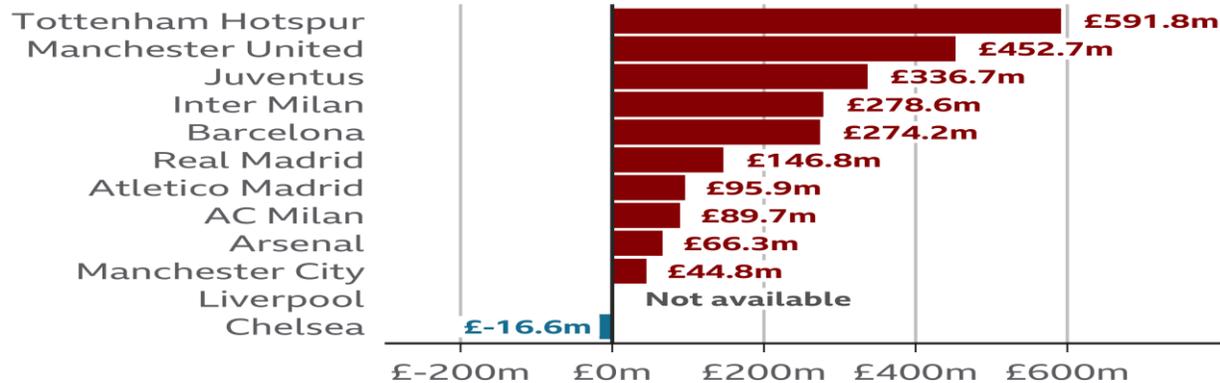
7) Fluctuation in champions league revenue due to competitions structural problems leading to huge revenue losses for clubs who dont participate in latter stages or in some case qualification misses unlike othe rmajor sport leagues in the world like MLS,NFL, IPL where equitable ditribution of resources and money is ensured year on year.

8) Overplaying players continuously leading to major injuries at critical timesresulting in clubs ahving to aminatin large squads and therby bloating both the transfer bills adn wage costs

9) Emergence of state' owned clubs with almost unparalled resources leading to massive inflation of player wages and transfers

Most of the clubs have considerable debts

Net financial debt as per June 2020

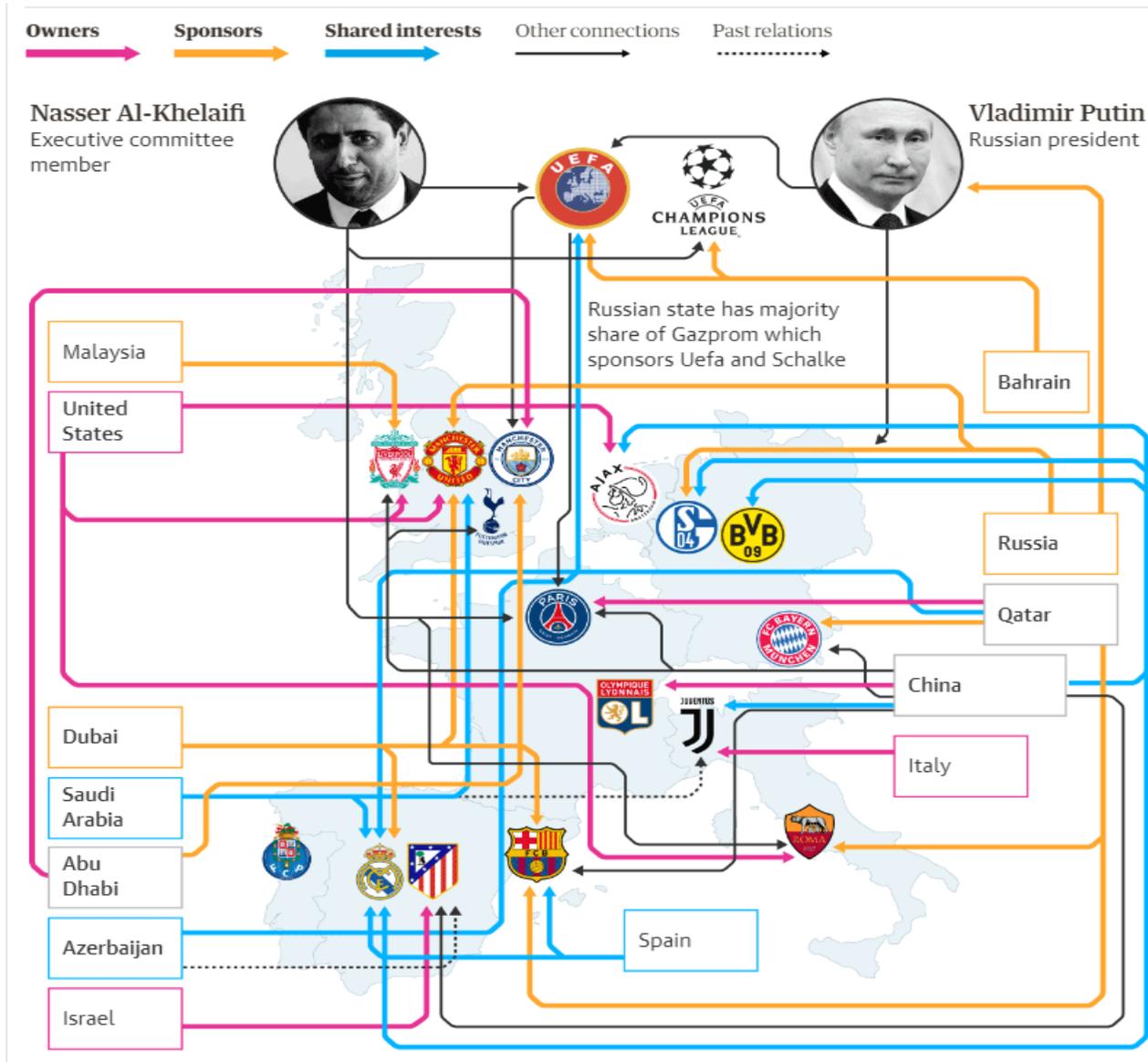


Note: Net financial debt = Current loans and borrowing (interest bearing) + Long-term loans and borrowing (interest bearing) - Cash and cash equivalents

Source: KPMG Football Benchmark

BBC

Sports washing a major ethical challenge



Sports washing - Sportswashing describes the way sport is used to launder a reputation, to gloss a human rights record by investing in sporting Clubs, organisations, events etc to normalise lost reputations and past misdeeds by countries or large MNC's

In the past decades several investments have been made into european football rich tycoon state authorities wishing for better PR and brand image due to the popularity of football across the globe

To name a few major clubs Chelsea, Manchester city, Paris saint german all have owners who looked to improve their brand image by investing in football clubs

These owners backed by huge wealth from other investments have continuously inflated football markets by flaunting Financial fairplay rules and use their respective clubs as a front for better PR

Future of European football

Football is set to change a huge amount in the next few years some of the factor which will revolutionise football are

1) **NFTs**

Football has the biggest fan base of all sports, and NFTs and football could be a very compelling combination. NFT's could be used for multiple purpose purposes

. a) E-tickets could be sold as an NFT, with programmable features that could stipulate that a percentage of any resale value flow back to the issuing club

b) NFTs could also be applied to physical elements, starting with collectibles. NFTs can be applied to physical collecting cards, match balls and other mementoes, using techniques pioneered for the art market. Over time the range of applications of NFTs should steadily grow.

2) **Rise of Women's football**

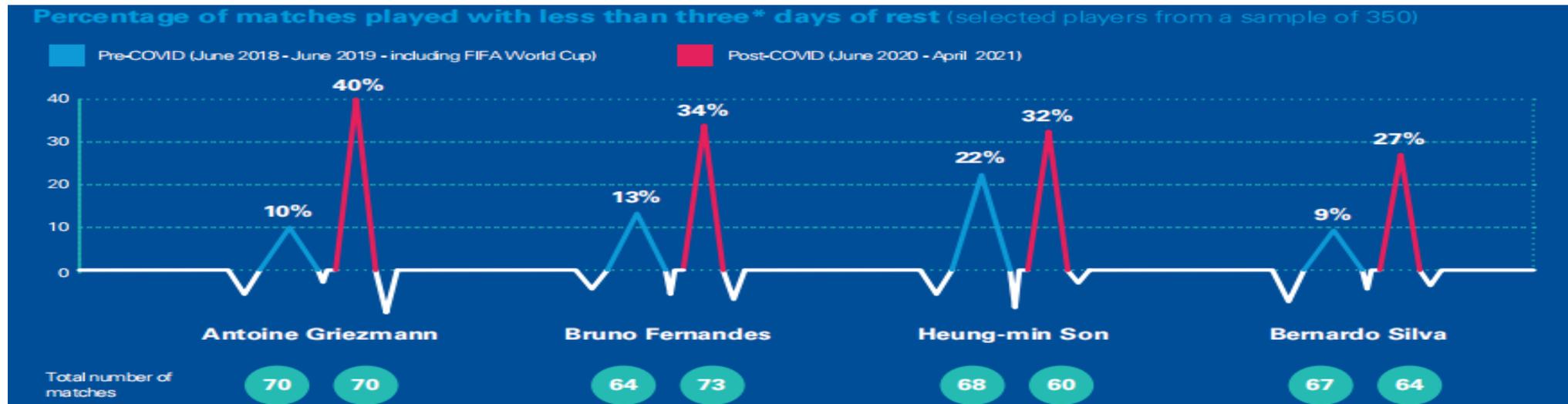
With almost every super club across europe having womens team and the facilities of womens football growing steadily. this could another scope of revnenu for clubs. the success of recent women world cup has shown that Womens game could slowly but steadily rise in popularity

3) **Reform of UEFA regulations**

the super league might have failed but the need for a more stringent financial fairplay will continue to be on the agenda of avrious stakeholders across football .

4) Reform of sporting calendars

Better coordination between international matches and domestic matches is needed to avoid player Burnout and sporting success of clubs



5) Balancing Sporting merit and financial stability

As we have there is a direct relationship between sporting merit & club revenues there is an urgent need to financial uncertainty but also ensure sporting success. A model granting financial stability based on past performance would help mitigate the uncertainty of underperformance on sporting side for on shorter term .

6) Better insurance coverage

Pandemic was something no club planned for lots of clubs had epidemic insurance in place but did not anticipate the possibility of a pandemic .Clubs and governing will have to ensure a coverage of a wide variety of scenarios to avoid the repeat of such events.

References

<https://www.theweek.co.uk/news/sport/football/954435/newcastle-saudi-takeover-what-is-sportswashing>

<https://footballbenchmark.com/home>

<https://www2.deloitte.com/uk/en/pages/sports-business-group/articles/annual-review-of-football-finance.html>

<https://www.theweek.co.uk/news/sport/football/954435/newcastle-saudi-takeover-what-is-sportswashing>

<https://www.transfermarkt.co.in/>



Disclaimer
This report has been produced by students of Global Risk Management Institute for their own research, classroom discussions and general information purposes only. While care has been taken in gathering the data and preparing the report, the student's or GRMI does not make any representations or warranties as to its accuracy or completeness and expressly excludes to the maximum extent permitted by law all those that might otherwise be implied. References to the information collected have been given where necessary.
GRMI or its students accepts no responsibility or liability for any loss or damage of any nature occasioned to any person as a result of acting or refraining from acting as a result of, or in reliance on, any statement, fact, figure or expression of opinion or belief contained in this report. This report does not constitute advice of any kind.

Campus Address :

88, Sector 44,
Gurgaon – 122002

CONTACT US

www.grm.institute

Email :
admissions@grm.institute

Thank you!