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An analysis of the managerial marketing and economic differences
between the American and the European economic sports model

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Contents page

Abstract: 3-4

Introduction: 4-6

Chapter 1: History of the leagues: 7-19

Chapter 2: Differences in business models: 20-24

Chapter 3: Sources of revenue: 25-35

Chapter 4: Analysis and conclusion: 36-37

Bibliography: 38

Abstract

The idea that I want to develop and explore with my thesis is the notion that the American sports model is much more profitable and sustainable than the European one under any aspect (marketing, Television rights, merchandising sales, stadium tickets income, sponsorship deals) even though European football has a much larger fanbase and many more television viewers than American sports. I would like to concentrate my thesis on the professional American basketball league (NBA), the American football league (NFL) and the top 5 football competitions in Europe (Serie A, La liga, Premier league and the Champions league) to best explain the differences in managerial structure of both the leagues and also the single clubs, analyse their strengths and weaknesses when it comes to agreeing television rights deals with the biggest broadcasting companies in the world, regarding the contracts given to their players, regarding the marketing ideas the clubs have and how such ideas are limited by the leagues themselves.

The main reason for which I decided to write this thesis and complete an analysis on this particular topic is based on a very well-known situation that however has always left me wondering why it occurred and still occurs to this day: why do American sports leagues generate astonishingly higher quantities of revenue and profit compared to the top European football leagues even though the European leagues have a much larger quantity of fans viewing their games on television, buying the clubs' merchandise and paying for stadium tickets? This situation has been well known to the top managers of European clubs for many years which led them to a breaking point in April 2021 with the announcement of the creation of a new tournament called the 'Superleague', which consisted of 12 of the greatest clubs in European football playing this closed tournament with no possibility for other teams to join since no relegations were present, in what was clearly not a coincidence the 12 clubs present in the so called Superleague were also the 12 clubs with the highest debt in Europe. This league collapsed after only 2 days since its announcement due to the incredible amount of protests by fans worldwide which led to the six English teams who intended to join to back out of the project causing the collapse of the entire plan, Juventus' president Andrea Agnelli later called the project 'a cry for help to save a system that is heading towards an inevitable insolvency'.

My aim with my research is to provide an in depth analysis of the differences between the two models, the key managerial decisions in history that caused and still cause to this day these inexplicably large differences in revenue and profit and to possibly provide alternative solutions to solve a problem which has to be solved to save an industry that gives jobs to hundreds of thousands of families and save a sport which plays a big part in the life of millions of people worldwide.

Introduction

“All strategies used in the United States punish excellence in some way. The European football approach punishes failure by promoting excellent minor league teams to the top flight leagues and relegating poor performing top league teams back down to the lower tiers of the football pyramid. The revenue loss from a potential relegation to a lower class of play is severe punishment for low quality, league sharing arrangements, and player drafts are so far thought to be unnecessary, even though star salaries are enormous. It is an interesting economic question as to which system achieves better results.”¹

The Superbowl is considered to be the greatest sporting event in the United States, the Superbowl is the final of the American football league (the NFL) and is close to being considered a national holiday in the ‘land of the free’, on average each year the superbowl reaches peaks of 150 million viewers worldwide. The Champions league on the other hand is considered the greatest football (soccer) tournament in the world, it consists of the top 4 teams from the Italian, English, Spanish and German league, the top 3 teams from the French league, the top 2 teams from the Portuguese and Netherlands league and the winners of the domestic leagues of all the other countries in Europe. This competition starts in August and ends in May when a single final on a neutral field is played between the two best teams to crown the ‘Champions of Europe’, very much like the superbowl. The biggest difference is that the Champions league final averages more than double the Superbowl viewers, the 2015 Champions league final between Barcelona and Juventus had 350 million viewers itself. Despite these clear and unequivocal numbers the superbowl generates a much higher revenue for both the league and the teams competing in it, thus the question

¹ <http://www.ms.ic.ac.uk/tommaso/compbalance.pdf>

that comes to mind is: how and why is this possible? And this is what I will analyse and explain in this thesis.

This situation has been clear to European football clubs' managers for a while and they have studied many ways on how to improve and overcome these difficulties, they felt that the European football federation called 'UEFA' was limiting their revenues since UEFA decides on how to allocate the money that comes from the TV rights deals since they are the organizers of the Champions league and their strategy is to give a fair share to all clubs under their 'control' in order to try to increase competition and therefore increase interest in fans that will not have to follow a one sided competition with a clear favourite team, however they still give the largest portions of the money to the biggest clubs which are the ones that attract the most fans. This model which also sees UEFA taking a large portion of the money for themselves to cover all of their costs (which include very large salaries for managers and brand ambassadors) has been identified as the problem by the biggest clubs that therefore decided to present the idea of a new tournament completely detached from UEFA called the Superleague. This tournament was supposed to be backed up financially by JP Morgan who had reached an agreement with the founding clubs to invest in the project by injecting 3.5 billion euros in the clubs as confirmed by a spokesperson of the bank. This would have been a great help for the clubs in the league who for different reasons all find themselves having massive debts to write off but due to protests from fans all around the world and threats from UEFA president Alexander Ceferin as well as political leaders such as Italian prime minister Mario Draghi and English prime minister Boris Johnson all but 3 clubs backed out of the competition after only 48 hours causing the project to fail. American sports leagues are usually 'closed' leagues, meaning that no promotions or relegations exist nor minor professional leagues, thus all of the fans are 'forced' to support a small number of teams which therefore divide the whole income in a very small number of teams, whereas in Europe even though the fanbase is much larger and worldwide the number of clubs is much larger and the income is not fairly distributed among the clubs.

I believe that this topic must be studied because a situation in which there are two different models both working on making money out of a sport exist and the model which works on a sport with less viewers manages to be more profitable than the one with a larger fanbase shows that there is a big problem to be analysed. I also believe that now is the right

moment to analyse such topic because of the recent events that took place in the world in general but more specifically in the sports world: top European football clubs have been accumulating debts for years and years in order to keep their teams competitive, they issued bond, asked for loans, sold minority stakes of their teams, all of this in order to maintain or increase competitiveness. This clearly was not a sustainable business model and the covid pandemic gave a significant increase in speed to the facing of the problem for these clubs.

The European sports model was once much different to what it is today, most clubs were created by local workers in the late 1800s and early 1900s and their main source of revenue was the selling of tickets for matches, which was enough to cover all costs and earn a profit. Nowadays the situation is completely different, football is a worldwide show and has developed into being a proper multi-billion dollar industry, clubs are not owned by local workers anymore but are owned by billionaires of funds who aim to speculate and earn money or are just eccentric men who want to become famous worldwide and seek international glory. The main revenues for the clubs are no longer stadium tickets (they still play a role) with merchandising and TV rights having overcome as the most important aspects for the economic sustainability and profitability of the club, clearly the sporting glory is still a fundamental aspect for the wellbeing of the club and it is a primary objective for all football clubs managers because going through to the later stages of tournaments and having the best players on your team will increase the number of fans that will come to the stadium, increase the number of fans worldwide that will watch your games making your brand more valuable and increase the number of merchandising sales. With this said football has become much more of an entertaining industry than it used to be, it is getting closer to the American leagues such as the NFL and the NBA who have always been a mix between high level sports and show-business. This approach of European football towards the American sports leagues is seen as a way to emulate the American leagues and their model in order to reach their level of profits, however the history of the two models, the cultural differences between the United States and the European continent and the differences in the actual sports will make it hard to align the two models, but I believe this is what will happen in the foreseeable future and I will illustrate why and how this will take place in my analysis.

History of the leagues

To gain an in-depth and correct knowledge of the economic developments of the two models fully I believe one has to be fully aware of the history of the leagues that have to be analysed, in order to better understand the reasons for which particular strategy decisions were made and why they were believed to be appropriate at the time.

To begin with I will talk about the history of the Italian top football division: Serie A. The Serie A we still have today, structured in a single group containing the best teams from the whole country, started during the season between 1929 and 1930. Before this date the competition was organized in two groups, the northern group and the southern one, the two best teams from each group would then compete in a final to declare the champion of Italy, however the northern part of Italy was (and still is partially today) more developed than the southern region and therefore most of the best players played for teams in the north where there were better living conditions for themselves and their families and better opportunities to earn more money, therefore the northern teams would dominate the southern ones by great scoring margins. For this reason and for the drastic increase in interest the league was experiencing the FIGC (Federazione italiana giuoco calcio) which is the federation that controls the Italian football leagues and national team, decided to unify the two groups and create a competition with a single group of teams, the increase in interest from fans caused a significant increase in revenue for the southern teams due to stadium ticket sales that permitted them to compete with the northern teams, therefore teams like AS Roma and SSC Napoli became giants in the Italian league and perennial contenders to the league title also known as 'Scudetto'. The Italian league title is often named scudetto because because ever since 1923-1924 the winning team would wear a small shield-shaped patch on their shirt with the colours of the Italian flag sewed on it, to symbolize them being champions of Italy, this tradition has been maintained to this day and is a great marketing strategy to increase sales from merchandising since a celebratory shirt is always coveted by fans who statistically purchase more shirts with the iconic 'scudetto' on it, this shows as stated before how sport success is still crucial for the sustainability and profitability of football clubs in the modern days even though other factors now play an

important role in the creation of revenue. The Serie A is now called Serie A Tim because of a sponsorship deal, the telecommunication company 'Tim' has been title sponsor for the top Italian football league for more than 20 years now and has recently renewed the deal to 2024 which is worth 18 million euros per year². Italian football is estimated to have 28 million fans and the production value of the first 3 top leagues combined (Serie A, Serie B and Lega Pro) has reached 3.5 billion euros annually and the fiscal contribution that professional football gives to the Italian government is worth 1.2 billion euros annually, these numbers make the 'football industry' one of the top 10 industries in the whole country.³ Serie A is considered to be one of the greatest leagues in the world, of the 100 greatest football players in the world that were inserted in the Fourfourtwo magazine in 2017 42 of them have played in Serie A⁴.

The Premier league is the top-flight league in the English football pyramid. However the Premier League itself is a very young league, it was created in 1992 after the decision of many clubs to leave what was the English top league at that time: the first division. This decision was made by the CEOs of the clubs because they felt oppressed and blocked under the control of the English football association, most commonly known as FA. They took this decision also to take advantage of an extremely lucrative TV rights deal from Sky. The English clubs' top managers have therefore been precursors in understanding the development of the market and forecasting the direction football was going towards, which was and still is the creation of the highest possible revenues and treating the clubs as proper companies which they are at full effect and not as simple football teams anymore. This strategy absolutely paid off because the Premier League has now become the most popular national football league in the world, in the 2019-2020 season alone the leagues accumulated TV rights deal was worth 3.1 billion pounds thanks to the investment from broadcasters such as Sky and BT Sports⁵.

² <https://www.calcioefinanza.it/2018/02/22/tim-sponsor-serie-a-non-rinnovare-lega-cerca-sponsor/>

³ <https://www.calcioefinanza.it/2020/04/26/quanto-vale-il-calcio-italia-ecco-tutte-le-cifre/>

⁴ https://en.wikipedia.org/wiki/Serie_A

⁵ https://en.wikipedia.org/wiki/Premier_League

Before the creation of the Premier league the English top-flight league was the First division. The first division was founded in 1888 and this makes it one of the oldest football leagues in the whole world, this occurred because it was in England where the sport of football was first invented and played. The first division was the top league in England for more than 100 years until the breakaway to the Premier league. During the 1980s the top English clubs began to transform into proper companies, by choosing strategies that were loyal to commercial principles and club administration to maximise revenue. The commercial priority led the top clubs to find ways to increase their power and revenue: the clubs in Division One threatened to break away from the Football League, and in doing so they managed to increase their voting power and gain a more lucrative financial arrangement, receiving a 50% share of all television and sponsorship income in 1986. They demanded that broadcasting companies should pay more for broadcasting their football matches, and revenue from television grew exponentially in value for a clubs financial survival . The Football League received £6.3 million for a two-year deal in 1986, but in 1988, in a deal agreed with , the price rose to £44 million over four years with the leading clubs taking 75% of the revenue. Each of the First Division clubs received only around £25,000 per year from television rights before 1986, this increased to around £50,000 in the 1986 deal, then to £600,000 in 1988. The 1988 negotiations were conducted under the threat of ten clubs leaving to form a "super league", but they were eventually persuaded to stay (very similar to what happened in 2021), with the top clubs taking the greatest share of the deal. The negotiations also convinced the bigger clubs that in order to receive enough votes, they needed to take the whole of First Division with them instead of a smaller "super league".

By the beginning of the 1990s, the big clubs again considered breaking away. Similarly to what happened in Italy the increase in fans and interest in the game from people as well as the development of new technologies such as worldwide TV live streaming the league became a gigantic business where economic sustainability and profits are key, just as in almost any other industry in the world. The Premier league ranks first in the UEFA league ranking systems⁶, making it the best league in the world. I believe that this aspect is key to the analysis, the Premier league is the best league in the world because of the great financial

⁶ <https://www.uefa.com>

and managerial strategies that were implemented by the clubs and not because of pure sporting merits and youth academy development, most of the best players in the world play in the English league because billionaires see this league as a great opportunity to make profits, therefore they purchased most of the clubs in the league and because of the lack of regulations such as a salary cap (which is present in the American sports model) they are able to offer much higher salaries to the players who will therefore join the league, which I believe gives the Premier league an unfair competitive advantage with respect to its competitors who cannot spend such high quantities of money and therefore have to find alternative ways to develop their teams.

The Premier League is the most-watched sports league in the world, broadcasted in 212 countries to 643 million homes and a potential TV audience of 4.7 billion people⁷. The Football league first division, the top level of English football since 1888, was behind leagues such as Italy's Serie A and Spain's La Liga in attendances and revenues, and several top English players had moved abroad, but the creation of the Premier league has completely switched the situation in no more than 15 years and now the Premier league is the number one football league in the world, this to show how much the strategy to create a new league in an existing market has payed off. The greatness of the Premier league is clear in the football world and to symbolize it in the last 4 years there have been 2 Champions league finals between two English teams Liverpool v Tottenham in 2019 and Chelsea v Manchester City in 2021.

The Spanish top league is named 'La Liga' or fully named 'Campeonato Nacional de La Liga de Primera Division'. La Liga is the top Spanish football league and 20 teams compete in it every year with the last 3 relegating to the lower league and the top 4 gaining access to the following year's Uefa Champions League. La Liga was founded in 1929 and has remained the top league in Spain to this day, as the two other leagues previously mentioned La Liga has been subject to the economic development and the change in business goals of its clubs. La Liga is home to two of the biggest clubs in the world: FC Barcelona and Real Madrid. It differs to the Italian and English leagues when it comes to ownership, Real Madrid and

⁷ https://en.wikipedia.org/wiki/Premier_League

Barcelona are not owned by billionaires but instead are owned by a great number of investors who each own shares of the clubs. To determine presidency of the club and therefore choose the strategies on how to run the clubs the shareholders vote every 4 years the election of a president to run the club. According to UEFA's league rankings, La Liga has been the top league in Europe for seven years between 2013 to 2019 (calculated using accumulated figures from five preceding seasons), and has led Europe in this ranking for 22 of the 60 years this ranking was issued up to 2019, more than any other country. It has also produced Europe's top rated club more times (22) than any other league, more than double that of second-placed Serie A , including the top club in 10 of the 11 seasons between 2009 and 2019; each of these pinnacles was achieved by either Barcelona or Real Madrid. La Liga clubs have won the most Champions Leagues (18) with Real Madrid winning 13 of them.⁸

La Liga is sponsored by the bank 'Santander', similarly to Serie A with Tim, the annual worth of the sponsorship deal is 20 million euros⁹. The federation that controls La Liga is called 'Real Federacio Espanola de futbol' and it is the equivalent of the Federazione Italiana Giuoco Calcio in Italy and the FA in England, although the English FA has no jurisdiction on the Premier League following the 1992 split. Real Madrid and FC Barcelona have dominated the league almost every year since the birth of the league, however nowadays FC Barcelona is in a very difficult situation financially after having accumulated 1.173 billion euros in debt¹⁰ due to the strategies adopted by former president Josep Bartomeu whom in order to maintain the team competitive decided to sign deals and give extremely high salaries to many players whom in result have led to the costs of the club to exceed the revenues for several years. Newly elected president Joan Laporta is trying to solve thus situation by drastically cutting costs: Lionel Messi, arguably the greatest football player of all time, was forced to leave Barcelona since the club was not able to renew his contract due to the very high salary he received (71 million euros per years during the last 5 years¹¹), also key players such as French international Antoine Griezmann was sold during the transfer market to

⁸ https://en.wikipedia.org/wiki/La_Liga

⁹ <https://www.sportspromedia.com/news/la-liga-santander-title-sponsorship-2022-23-season/>

¹⁰ https://www.repubblica.it/sport/calcio/esteri/2021/01/25/news/barcellona_profondo_roso_debiti_per_1_173_miliardi_di_euro-284203864/

¹¹ <https://www.calciofinanza.it/2020/08/07/stipendio-messi-barcellona-quanto-guadagna/>

receive money to repay part of the debt, this drastically lowered the competitiveness of the team but the club management had no other choice. This situation I believe is the reflection of bad management in the first place but also the reflection of the financial situation of European football in general.

La Liga president Javier Tebas is very keen with the idea of expanding the global reach of the Spanish league and has had several ideas to do so, the most recent one was to play some games of the Spanish league in the United States to increase the fanbase and thus create more revenue. However this idea was not original since the American sports leagues NBA and NFL have been playing games in Europe (London and Paris) once a year for several years; once again a demonstration of how European football looks at the American sports business model as something to emulate and take notes from. Just recently in August of 2021 Javier Tebas reached an agreement to sell 10% of the league to CVC Capital Partners in a deal worth 2.7 billion euros¹².

In Germany the top league is called the Bundesliga. The Bundesliga is structured slightly differently compared to the Italian, Spanish and English leagues. The German top flight league is composed of 18 teams instead of the 20 teams of its competitors, the two bottom teams are automatically relegated while the 3rd to last team competes in a playoff against the 3rd placed team of the second league (Zweite Bundesliga) to determine who will play in the Bundesliga the following year. 56 clubs have competed in the Bundesliga since the day of its founding and Bayern Munich has the record for the most victories of the tournament having it won 30 times. The Bundesliga is not the most popular league in the world in terms of global fans but it is the football league with the highest average attendance at their games with 45,133 fans of average attendance, second in sports leagues in general only to the American National Football Association (NFL). The Bundesliga is very young compared to the other leagues, the year of its foundation is 1962 and it was founded in the city of Dortmund. The federation that controls the league is called the 'Deutsche fussball liga'. Prior to 1962 football in Germany was played at amateurl level, which is an

¹² <https://www.sportspromedia.com/news/la-liga-cvc-investment-approved-real-madrid-barcelona-opt-out/>

outlier with respect to all of the other countries in Europe where football became professional in the very early stages of the development of the game. I believe this fact to be a symbol to the great economic and business model that German football represents, teams in Germany can only be owned by German owners and are usually (similarly to Spain) owned by a great number of shareholders, an interesting fact regarding German football clubs is that part of the shares are owned by fans of the club, giving them the possibility to influence managerial decisions. I believe this idea to be a great managerial and marketing move, the involvement in the club will create a much larger attachment to the club from the fans which will increase willingness to purchase stadium tickets and merchandising products, thus increasing profits in both the short and long run.

The Bundesliga is considered one of the top leagues in the world and currently is ranked 4th in the Uefa leagues coefficient rankings. German football clubs are a great outlier in the European football economics, the clubs in the Bundesliga have no debt and all create annual profit, this result was obtained for several reasons: managers know how to run the clubs and never exceed their possibilities by offering salaries that will not be sustainable and never spend sums of money to purchase players on the transfer market that will exceed costs, the loyalty from the fans and their continuous presence in the stadiums also creates revenue for the clubs that is only comparable to the Premier League.

A characteristic that all 4 of these leagues have in common is that the top 4 teams in the annual league rankings gain an automatic qualification to the UEFA Champions League. The Champions League is a tournament with a different format with respect to the domestic leagues, the competition is decided through a round robin stage where the first two teams in every group access the round of 16, from then on a two-legged tie is played to advance to the next round until the final is reached. The UEFA Champions League final is a single match played in a location decided prior to the beginning of the competition and it is considered to be the greatest annual sporting event in the world with an average of 350 million viewers each year.

Introduced in 1955 as the Coupe des Clubs Champions Européens (French for European Champion Clubs' Cup), it was initially a straight knockout tournament open

only to the champions of Europe's domestic leagues, with its winner being crowned as the champion of Europe. The competition took on its current name in 1992, adding a round-robin group stage in 1991 and allowing multiple entrants from certain countries since 1997. The most successful team in Champions League history is the Spanish side Real Madrid with 13 titles, second place goes to Italy's AC Milan with 7 titles and third place is shared between Bayern Munich (Germany) and Liverpool (England) both with 6 wins. These 4 teams all come from the top 4 leagues in Europe, this is a testimony of how these leagues are the actual best in the world but I also believe the lack of diversity in winners especially in recent years is a warning that should be taken seriously by organs such as UEFA to implement economic regulations such as salary caps in order to establish competitiveness and uncertainty in the outcomes of games which I believe will engage many more customers (fans) and thus drastically increase revenue. The first edition of a European cup was held in the 1955-1956 season and only 12 clubs participated at the time. Development in technologies and greater ease in travelling permitted the competition to grow dramatically and become the giant it is today. A distinct characteristic the Champions League has is its own iconic anthem. The Champions League anthem is known worldwide and is a synonym to passion and top level football for players, managers, simple employees and fans. I believe that the anthem (played before every game) has become an incredible marketing technique to promote the tournament and create engagement and purchases from fans. In 1991, UEFA asked its commercial partner, Television Event and Media Marketing (TEAM), to help "brand" the Champions League. This collaboration gave as results the anthem, black and white or silver colours as main colours of the brand, a logo and the "starball". The starball was created by Design Bridge, a London-based firm selected by TEAM after a competition.



This picture shows the iconic champions league 'starball'. These aspects are all clear marketing strategies made by UEFA top managers to make the Champions League games instantly recognizable and different from the domestic league ones. Every league has a different personalized ball that can be purchased by fans and collectors.

UEFA Champions League is sponsored by a group of multinational companies, differently to the single main sponsor that is usually used throughout domestic European football leagues. The Champions League was founded in 1992 and at that moment it was decided that a maximum of eight companies should be allowed to sponsor the event, each of which was allocated four advertising boards around the perimeter of the pitch, as well as logo placement during interviews before and after the match and a certain number of tickets to each match. This, combined with a deal to ensure tournament sponsors were given priority on television advertisements during matches, ensured that each of the tournament's main sponsors was given maximum exposure, which is what sponsored companies were looking for.

European clubs have expressed criticism on how UEFA distributes back to them the revenues from all sponsorship, merchandising and TV rights deals. At the moment a team can earn a maximum of 85 million euros (excluding the market pool) if they win the tournament.

The NBA and NFL are completely different to the European football leagues in all aspects: number of teams, number of games played, format of the competitions, federation controlling the leagues, economic regulations, franchise managerial structures and division of revenue. This graph below clearly explains the main differences

	U.S. Sports	Football in Europe
League system	Closed, no promotion or relegation Teams compete in single league competition	Open, annual promotion and relegation Teams may compete simultaneously in many competitions
League functions	Collective sale of TV rights Centralized marketing	Collective sale of TV rights
Competition between clubs	Limited substitution by consumers	Significant potential for substitution
Competition between leagues	Numerous cases of entry by rival leagues	All leagues contained within the established hierarchy
Player market	Rookie draft Salary caps (NFL, NBA) Collective bargaining	Active transfer market
Revenue sharing	Equal division of national broadcast income Gate sharing (NFL 40%, Baseball average 15%, NBA 0%)	Sharing of television income Little or no sharing of league gate revenues Some sharing of gate from cup competitions
Competition policy	Antitrust exemption for baseball Sports Broadcasting Act exempts national TV deals from antitrust	Centralized sale of TV rights under attack Selected interventions (ticket allocation FIFA)

13

The NBA is the greatest basketball league in the world. The National Basketball Association is composed of 30 teams who play an 82 game regular season which then leads to the playoffs where the teams play in a best of 7 games series to advance to the next round until the 'NBA finals' which is one last best to 7 games series to determine the champion of the NBA. The teams in the NBA are divided into two conferences: the Western

13

https://www.researchgate.net/publication/232710160_Open_and_Closed_Leagues/figures?lo=1

conference and the Eastern conference, a team from the Western conference will not be able to meet a team from the Eastern conference in the playoffs until the NBA Finals. In order to qualify for the playoffs a team must finish in one of the first eight seeds of its conference, unlike European football leagues the rankings are not based on points made after each match but simply on the number of matches a team wins and the league table does not determine the winner since there is a post-season to determine that, creating a much more unpredictable outcome and keeping fans hooked to the televisions and arenas full until the very last game of the season, on the contrary many European football leagues already have a clear winner as early as 2 months before the last game of the tournament.

The NBA was founded in New York City on the 6th of June 1946 under the name of Basketball Association of America (BAA), it was not until the 3rd of August 1949 after the merger between the BAA and the rival league National Basketball League (NBL) that the league changed its name to National Basketball Association.



NBA logo

When the two leagues merged the total numbers of playing teams was 17, however the newly founded NBA started losing teams rapidly and after only six years the number of teams was drastically reduced to just 8. This happened because of financial problems that teams were facing, especially the teams that joined the league from the NBL because these teams were all situated in smaller markets in cities with little population thus lower number of fans which meant much lower revenue with respect to larger market teams. The league however grew in popularity in the following years and from 1955 until 2004 the league experienced a boom in the number of teams with 22 expansion teams joining the league, reaching the 30 teams that constitute the National Basketball Association today. The 1980s saw the league and the game of basketball grow tremendously and a lot of that had to do

with the rivalry of Magic Johnson and Larry Bird. Because of this rivalry a lot of interest grew in the America about the NBA and the first major TV deals started to be signed as well as another wave of expansion teams being formed. The current TV deal the NBA has in place with major broadcaster is worth 2.6 billion dollars every year for a total of 24 billion dollars, however the league top managers and commissioner Adam Silver himself believe that the economic development of their league and the revenue that their product produces for the broadcasters is much higher and thus are seeking to land a deal worth 8 billion dollars per year for a total throughout the duration of the contract of 75 billion dollars¹⁴, which would crush the European football leagues but would still not be enough to beat the NFL who receives 10 billion dollars annually by broadcaster to have the rights to show their games on national and international television. The NBA differs from the European football leagues also because it is a 'closed' league. This means that there are no relegations and no minor leagues where teams can be promoted to the NBA, the 30 teams will always be the same no matter how they perform, this system permits to share the revenue from fans all over the world in a very small number of teams, on the contrary in European football there are hundreds of clubs in hundreds of leagues, therefore the huge number of global fans will be smaller for each team since the fans will be diluted in supporting so many different teams, causing revenue from merchandising to be lower for the clubs.

The NFL is the American football league, not to be confused with football (soccer). NFL is an acronym that stands for National Football League. The National Football League is an American sports league where 32 teams (franchises) compete divided between the National Football Conference (NFC) and the American Football Conference (AFC), very similarly to what happens in the NBA with the Western and Eastern conference. The NFL has an eighteen week regular season that starts in September and ends in January, during this time period every team plays seventeen games and plays once a week just like in European leagues. The top seven teams from each conference advance to the playoffs where single elimination matches are played to reach the grand final: The Superbowl. The NFL was founded in 1920 under the name of American Professional Football association (APFA), it

¹⁴ <https://www.cnbc.com/2021/03/22/nba-is-next-up-for-a-big-rights-increase-and-75-billion-is-the-price.html>

rebranded itself in 1922 changing its name to National Football League. During the early stages of the league end of season standings would determine the winner, just like in Europe, it was not until 1933 that a playoff format was implemented. In 1967 the NFL merged with rival league American Football League and therefore the first Superbowl was played that same year between the best team in the National Football League and the American Football League. The NFL has the highest average attendance of any league in the world: 67,591 people. The NFL is the wealthiest sports league in the world by revenue and the sports league that contains the most valuable teams in it, as mentioned before only from television rights deals the NFL earns 10 billion dollars every year.

Differences in business models

It is a long-standing idea in sports economics that a 'better' product means a 'more balanced' one. Competitive balance refers to the hopes of fans about who will be the champion. In a completely balanced league fans believe all outcomes are equally possible so there is total uncertainty. In a perfectly unbalanced contest the winner is known or very easily predictable. It seems reasonable to suppose that without at least some level of competitive balance, fans will lose passion in a league and a team thus reducing revenue and compromising the economic stability of a team. A plausible hypothesis would be that, a balanced contest is a more interesting and appealing one. This proposition is widely accepted. Most importantly, it has frequently been accepted by the courts as reasoning for restrictive agreements regarding the sharing of revenues or restraints in the player market (e.g. salary caps and roster limits). Measuring the extent to which a competition is balanced, therefore, is a fundamental aspect when talking about leagues. However, this is no simple issue. Standard deviation of winning percentages in a sports year is often used to measure the balance of a league. According to this measure, the greater the variance in outcomes in a season, the less balanced is the tournament. The weakness of this process is that it does not take into account the different teams in different seasons.

Applying this measure to American and European leagues produces the result that European leagues are slightly more balanced than North American leagues. This is an anomaly caused by the European system of promotion and relegation, by which the worst performing teams in a league in each season are relegated to the lower leagues, so that no team will be chosen to give up once it has lost the possibility to compete for the championship. To cite examples of competitive unbalance the European football leagues are a perfect example, the German Bundesliga has now been won by Bayern Munich for 9 years in a row, Inter Milan was crowned champion of Italy in 2021 and by doing so they broke a 9 year long record breaking streak of Juventus winning the league, in La Liga a team between Barcelona and Real Madrid have won the league for 15 of the last 17 years; the Premier league is probably the most balanced domestic football league but Manchester City still won the league 3 times in the last 5 years. This phenomenon occurs for mere economic reason, in European leagues (especially in the recent years) teams with the richest owners are able to spend hundreds of millions of euros on the transfer market to purchase new players and offer to

those players salaries that are often 10 times the ones they received in their previous smaller clubs. The lack of regulation on transfer markets and salary caps therefore causes this situation that creates a great unbalance within the teams of the league. This situation also halts the potential economic development of smaller teams because most fans will be oriented to support and thus give their money to winning teams, teams which contain the best players and not smaller teams that never fight for winning, therefore by doing so bigger clubs create some sort of very high barriers to entry the 'elite' of world football. American leagues on the other hand have a near to flawless system to prevent this kind of unbalance. American leagues are closed leagues meaning that no team can be relegated and they share revenue from TV rights equally, this already sets the foundations for economic parity between the competing franchises, however it is the way the movement of players is structured between the teams that I believe guarantees the much needed competition and balance. In both the NBA and the NFL a team cannot offer sums of money to other teams for a particular player, players can be signed through trades and for these trades to be considered legal the salary of the player/players that leave your team must be equal to the one of the player/players that join. This system first of all prevents teams from offering salaries that would make costs exceed revenues since they have to match, it motivates players to stay loyal to their team because they will earn the same exact salary until the end of their contract no matter what team they join they will not be able to negotiate a new deal before their current one expires and it keeps balance to the league because team do not have infinite assets to trade to make great players team up thus it is very rare to see so called 'superteams' be assembled simply due to salary cap and trade reasons. In football this is not the case and the perfect example of this is Paris Saint Germain. PSG was a very anonymous team in France until in 2011 the Qatar Investment authority (Qatar sovereign's wealth fund) purchased the team. In the 10 years as owners of the team the QSI spent more than 1.5 billion euros only to purchase players, without considering their salaries. PSG currently has in their roster 3 of the top 4 most payed football players in the world: Lionel Messi, Neymar Jr and Kylian Mbappè. The amount the team spends each year on salaries exceeds 200 million euros whereas for example the NBA salary cap for 2021 is 112 million dollars. No other team in France can compete with a team that is virtually owned by one of the richest states in the world and for this reason the French 'Ligue 1' has very small appeal globally.

I believe that a unified European salary cap and trade system in the transfer market would greatly benefit the football economy. With a salary cap and trade system teams would be able to keep their best players and pursue winning trophies which as a result would increase revenue, most importantly players are considered to be very valuable assets for the clubs whom own the rights to their performances and being able to keep great players who then become global icons will increase the fanbase of the team and therefore revenue from merchandising, sponsorship deals and stadium ticket sales. However, the North American leagues are closed to entry by new teams through sporting merits, expansion teams exist but they have to meet specific economic requirements set by the leagues. European leagues on the other hand have a system of promotion and relegation which gives many more teams access to the top division. In other words, equality of outcomes is found in the closed North American leagues while in Europe, equality of opportunity is one of the fundamental ideas even within a system that is dominated by a small number of teams.

In North America, there are four significant team sports (basketball, American football, baseball and hockey) competing for market share compared to a clear single dominant team sport in Europe: football . However, in the United States, there is a single league that dominates in each sport in terms of fans, revenue, merchandising, sponsors and prestige, whereas in Europe the national league of each country is normally dominant in its own nation, they are only slightly followed in other countries. Four leagues currently dominate Europe due to their large populations, wealth and traditional passion with football : England (Premier League), Germany (Bundesliga), Italy (Serie A) and Spain (La Liga). Another significant difference is that North American teams and players typically play in only one league or competition in one season. In Europe however, teams can compete in two national competitions (the league and the knock-out Cup), an international competition for European clubs (Champions League, Europa league, Conference League), while in addition the players can be selected to represent the national team and national representative competition during the league season, which are usually stopped for 1 week to give space to national teams. A further difference between American leagues and European leagues has been the subject of many debates, and this difference is the general credence in Europe that American franchises are run by profit maximizing managers while European clubs purely

pursue sporting objectives, However, it is clear that until recently there was limited possible financial return to be obtained from football and sports in general in Europe, a circumstance which has been improved considerably in the 1990s and it is now evident that there has been a swing towards more financially oriented strategies and the increasing quest for profit, as mentioned in the introduction, the development of technologies and the increase in global popularity of European football turned the clubs into proper companies and therefore pursuit of profit is their main goal.

	<i>American leagues</i>	<i>European football</i>
<i>Competition rules</i>	<ul style="list-style-type: none"> - Franchise system - One league participation 	<ul style="list-style-type: none"> - Open competition - Many league participation
<i>TV rights</i>	<ul style="list-style-type: none"> - Collective selling of TV rights 	<ul style="list-style-type: none"> - Collective selling of TV rights
<i>Player market</i>	<ul style="list-style-type: none"> - Draft - Salary cap - Collective bargaining 	<ul style="list-style-type: none"> - Free player market - Free salary negotiation - Individual bargaining
<i>Revenue sharing</i>	<ul style="list-style-type: none"> - Balanced sharing of TV rights - Charge (admission) in franchise system 	<ul style="list-style-type: none"> - Negotiated sharing of TV rights - Institutional sharing of match day revenues

This table perfectly illustrates and summarizes the main differences between the two models. I believe that the revenue sharing clearly shows how American leagues are more keen to preserving financial parity in order to maintain balance between the team in their leagues which they believe to be fundamental to create more and more interest from fans.

The draft is a unique characteristic that belongs to American leagues. The draft is an event that takes place once a year prior to the beginning of a season, during this event the teams the teams with the lower winning percentage the year prior to the draft get

the possibility to get the first pick in the draft, the second worst gets the second pick and so on. Having a pick means having the possibility to select the best college players or overseas players that want to enter the American league and therefore have declared eligible for the draft. This system exists once again to ensure competition and balance in the league. An great example of how the draft gives balance to a league is the 2003 NBA draft. In 2002 the Cleveland Cavaliers were the worst team in the National Basketball Association, their record was terrible, they had no good players or young talent to develop and free agents (players whose contract expired and are free to sign where they please) were not interested in playing for them. This all changed when the Cleveland Cavaliers with the first pick in the 2003 NBA draft selected an 18 year old player from Akron Ohio directly from high school: LeBron James. LeBron James quickly became the best basketball player in the world and led the Cleveland Cavaliers to winning their first ever NBA championship. An equivalent to this situation would be unthinkable in European football since a player of this talent would never stay in a bad team for several years since the lack of regulations in the transfer market and financial parity between teams will cause the player to move to a big club and play with other great players, killing the competitiveness of the league.

Sources of revenue

Sponsorships play a very big part in the revenue of sports clubs and franchises. In this day and age with social media and television rights deals sold globally almost all the population of our planet is able to watch games from leagues that were once 'confined' in the borders of their nations. Firms and top managers are very well aware of that and therefore are ready to invest very high sums of money to promote their companies.

Starting with the NBA. In June 2015, the NBA decided to end its collaboration with Adidas and signed an eight-year, \$1 billion contract with Nike. This deal was a 245% annual increase with respect to the previous deal the league had with Adidas. Nike, began carrying official uniforms at the start of the 2017-18 season and for the first time in NBA history the logo of the brand producing the jerseys was present on the jerseys during games. Before this deal, Nike still was very involved in the market of basketball shoes and apparel. It is projected that Nike controls 90% of United States basketball shoe sales. Similarly, many of the NBA's biggest stars have money-spinning endorsement deals with the world's largest shoe and apparel company, for example LeBron James recently signed a lifetime deal with Nike worth 1 billion dollars. When attending an NBA game, the number of sponsors and brands located around the arena is abundant. In the 2016-17 season, the NBA generated 861 million dollars in revenue from corporate sponsors. These sponsors include noticeable brands like Statefarm and Anheuser-Busch as the official food and beverage brand of the NBA. Included in sponsorship deals there are the naming rights for NBA arenas. For example, the new arena of the Golden State Warriors, Chase Center, was sponsored by American bank JPMorgan Chase and the Los Angeles Lakers and Clippers arena Staples center rights were bought by Staples. Drawing interest domestically and abroad, the NBA has seen its popularity and revenue streams rapidly increase over the past few years. With a TV deal valued at \$24 billion, a \$1 billion Nike deal, an increasing number of corporate sponsors, rapid international growth, and an average NBA team value over \$1 billion, the NBA is firmly entrenched among the biggest and most valuable leagues in all of world sports.

The NFL is the most popular league in the world with regards to attendance and is one of, if not the, most profitable league in the world. The NFL earns most of its income with TV deals. According to the Chicago Tribune, more than 50% of the league's \$15 billion revenue comes from TV rights deals every year. Other revenue creators include arena ticket sales, merchandising, licensing rights and corporate sponsorships. Football is, hands down, the most-viewed sport in the United States. Out of the 20 most viewed live broadcasts in American history 19 are Superbowls . During the season, NFL games are aired live in the USA on Mondays, Thursdays, and Sundays. These games are consistently the most viewed shows on TV, so broadcasting companies have spent billions of dollars for the rights to broadcast them and are willing to spend even more in the future.

In this The NFL currently has TV rights deals with CBS, NBC, Fox, and ESPN. In the contracts that were stipulated in 2011, CBS, NBC, and Fox committed to pay the NFL a total of \$39.6 billion for the rights to broadcast its games from the 2014 season until the 2022 season. The three companies share the rights to broadcast "Sunday Night Football," and also annually rotate the rights to show the Superbowl on their respective channels. The amount of money paid by these networks is set to increase by about 7% annually, which means that they will each be paying the NFL more than \$3 billion dollars per year in 2022.

ESPN signed an exclusive deal to pay the NFL \$15.2 billion through 2021 for the rights to "Monday Night Football." Monday Night Football is, as the name suggests, the NFL game played on Monday and it usually attracts millions of viewers and therefore is very requested by broadcasters. Although the majority of its national revenue comes from its monster TV rights deals, the NFL also makes money by selling companies the rights to sell items that represent the NFL. For example, the NFL, in partnership with Nike, signed a 10-year licensing deal with online sports-retailer Fanatics in 2018. This contract makes Fanatics the exclusive producer of all Nike merchandise sold in the NFL online store. The value of this deal was never made public, but it very likely would be much lower than the TV rights deals.

Corporate sponsors pay NFL teams to show their logos on uniforms, TV transitions and all types of merchandise. In 2018, the NFL collected over 1.3 billion dollars in sponsorships. The most desired sponsorships are naming rights to NFL stadiums. The New York Times reported that New York 'Met Life Stadium naming rights and Dallas' AT&T Stadium naming rights are both worth 19 million dollars annually. The NFL is clearly a business model to be taken as an

example by all the other leagues in the world, the NFL commissioner Roger Goodell has been able to maximize the potential economic development of the league and is still continuing to look for new ways and strategies to maximize profit for his league. The NFL teams infrastructure has also been a key asset for the economic prosperity of the league, every team owns a stadium of property which increases the value of the franchise being a very precious asset and most importantly all stadiums are extremely large in size meaning that revenue from ticket sales can be extremely remunerative.





















The Premier league is considered the most advanced league in Europe with regards to TV rights and sponsorship deals, their deals work in this way: The Premier League has built an impressive business model around broadcasting rights deals. The commercialization of the TV rights is now the highest source of revenue for most clubs in the league. The football clubs act as shareholders of the league, before finalizing a deal they rescind their broadcasting rights to the league that then looks for the best and most lucrative economic deal and sells the rights to broadcasters such as Sky Sports and BT for example. These broadcasters usually go through a bidding process to have the possibility to broadcast games and charge subscription fees and place their own advertisements during and in between the league games.

The distribution of the revenue from the domestic TV rights is set up in this way: 50% of the total income is equally distributed among the 20 clubs. 25% is allocated through merit fees, which is determined by the clubs' position in the league at the end of the season and the other 25% is allocated through facility fees, which vary depending on how often the games of a specific team are shown on TV, this helps bigger clubs and penalizes smaller ones since clubs like Manchester United and Liverpool for example will be prioritized if a choice has to be made on who to broadcast on television with respect to clubs like Brentford or Brighton, creating economic disparity. As for the international broadcasting rights, all of the revenue is shared equally but since the 2019/2020 season, any increase has been distributed to clubs based on their position in the league table.

If we look at the domestic TV rights deals over the years we can clearly observe the exponential growth from the 191 million pounds of the 1992/1997 era to the 5.1 billion

pounds for the 2016/2019 period. However it is interesting to see how there has been a decrease in the bidding wars, as the 2019/2022 period deal collected 13% less revenues. Thanks to the continuous growth in the global broadcasting rights bids, total broadcasting revenue is still increasing. Overseas broadcast rights grew from 40 million pounds in the first cycle to 4.2 billion pounds in the latest deal.

Premier League | 2018/19 Payments to Clubs

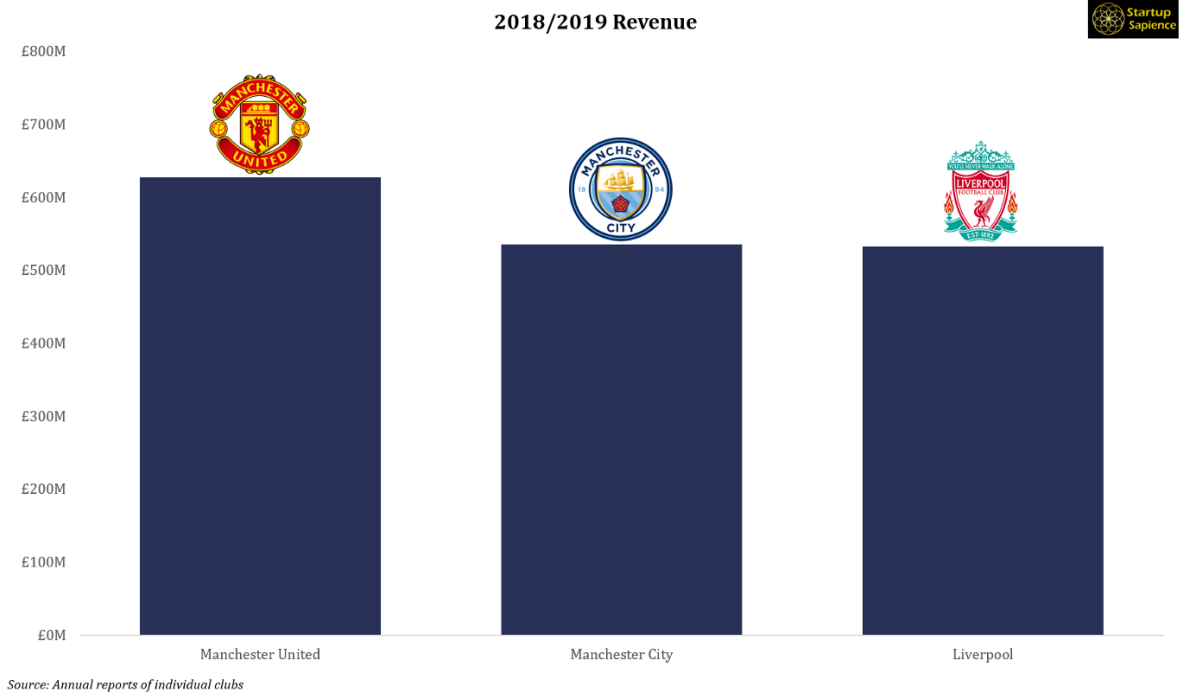
Club Name	UK Live	Equal Share	Facility Fees	Merit Payment	International TV	Central Commercial	Total Payment
 Manchester City	26	34,361,519	30,104,476	38,370,360	43,184,608	4,965,392	150,986,355
 Liverpool	29	34,361,519	33,461,785	36,451,842	43,184,608	4,965,392	152,425,146
 Chelsea	25	34,361,519	28,985,373	34,533,324	43,184,608	4,965,392	146,030,216
 Tottenham Hotspur	26	34,361,519	30,104,476	32,614,806	43,184,608	4,965,392	145,230,801
 Arsenal	25	34,361,519	28,985,373	30,696,288	43,184,608	4,965,392	142,193,180
 Manchester United	27	34,361,519	31,223,579	28,777,770	43,184,608	4,965,392	142,512,868
 Wolverhampton Wanderers	15	34,361,519	17,794,343	26,859,252	43,184,608	4,965,392	127,165,114
 Everton	18	34,361,519	21,151,652	24,940,734	43,184,608	4,965,392	128,603,905
 Leicester City	15	34,361,519	17,794,343	23,022,216	43,184,608	4,965,392	123,328,078
 West Ham United	16	34,361,519	18,913,446	21,103,698	43,184,608	4,965,392	122,528,663
 Watford	10	34,361,519	12,198,828	19,185,180	43,184,608	4,965,392	113,895,527
 Crystal Palace	12	34,361,519	14,437,034	17,266,662	43,184,608	4,965,392	114,215,215
 Newcastle United	19	34,361,519	22,270,755	15,348,144	43,184,608	4,965,392	120,130,418
 AFC Bournemouth	10	34,361,519	12,198,828	13,429,626	43,184,608	4,965,392	108,139,973
 Burnley	11	34,361,519	13,317,931	11,511,108	43,184,608	4,965,392	107,340,558
 Southampton	10	34,361,519	12,198,828	9,592,590	43,184,608	4,965,392	104,302,937
 Brighton & Hove Albion	13	34,361,519	15,556,137	7,674,072	43,184,608	4,965,392	105,741,728
 Cardiff City	12	34,361,519	14,437,034	5,755,554	43,184,608	4,965,392	102,704,107
 Fulham	13	34,361,519	15,556,137	3,837,036	43,184,608	4,965,392	101,904,692
 Huddersfield Town	10	34,361,519	12,198,828	1,918,518	43,184,608	4,965,392	96,628,865
All figures in £		687,230,380	402,889,186	402,888,780	863,692,160	99,307,840	2,456,008,346

15

This table perfectly illustrates what was analyzed above. The astonishing difference in merit payments between Manchester City and Huddersfield town highlights the main difference between the American sports model and the European one, American leagues try to help weaker teams in order to create a higher level of competitive balance whereas European leagues tend to reward great sports achievements. This model is fair with regards to rewarding excellence but I believe it to be detrimental to the economic development of the league since helping teams that already are great and penalizing lower level teams will only bring greater unbalance to the league's competitiveness in the long run, it is however true that larger clubs have much higher costs to cover therefore it is necessary for them to have higher revenue in order to cover their costs and also be able to create profit in order to be

¹⁵ <https://www.premierleague.com/partners>

sustainable. However the Premier league does give out 'parachute' payments for clubs that are relegated to help them in the transition to the lower tier league.



16

This chart represents the top 3 clubs for revenue during the 2018/2019 season. Despite Manchester United not having had the sport success that it always had throughout its history during recent years it still has managed to earn the highest revenue of the entire league. This happened for several reasons. To begin with if we consider (and we should) football clubs to be proper companies then the fans must be defined as customers, however fans in most cases do not act as normal customers would do in other markets because they are driven by passion and not finding the best product or the best economic deal, therefore customer loyalty is extremely high in the football industry. Most fans will stick by their team even during times when they do not offer great performances by filling out the stadium week in- week, continuing to buy the merchandise and continuing to purchase subscriptions to watch the games on TV. In other industries customers will most likely switch to competitors if they were offering a better product but this is not the case in the football

¹⁶ <https://startupsapience.medium.com/how-does-the-english-premier-league-make-money-d1d10e7963e0>

industry, sports success will determine an increase/decrease for sure but it will be only very small due to this customer loyalty, therefore the demand for football club related products can be said to be very inelastic, helping established big clubs to maintain their revenues fairly stable but also halting smaller clubs from growing through increment of fanbase forcing them to find alternative ways to develop and increase their revenue. As Deloitte reported, in the 2018-2019 season the Premier League became the first league in football history to reach 5 billion dollars in total revenue, the second place league being La Liga generated 73% less revenue than their English competitor.

Serie A was once universally regarded as the best football league in the world, however bad managerial decisions and creation of enormous debts for clubs in the transfer market windown have caused it to decline and thus it is now the 2nd/3rd football league, it is however making a comeback and its current situation is very interesting with very high potential. A key factor for Serie A in the pursuit of reducing the revenue gap with the competing European leagues should be to increase the global appeal of the Italian league and transforming it into an organization with broadcasting capabilities with financial sustainability as one of its main goals to avoid bankruptcy issues which have been very common in the early 200s with examples being Fiorentina, Lazio and Napoli.

A direction that the board of Serie A guided by the Lega Serie A CEO Paolo Dal Pino tried to take by selling the exclusive TV rights for the majority of their games (7/10 per week) to a streaming platform called DAZN, breaking their more than 10 year partnership with Sky TV as their main broadcaster. This strategy was made by the CEO with the agreement of the majority (not-unanimous) of the club presidents with the objective to increase the global reach of the Italian top flight league and they decided to sell their rights to a streaming platform by considering the trends in the market and more generally in the world that see a continuous increase in digitalization and a decrease in the use of standard television especially in younger customers. Furthermore, another decisive force that created clear-cut growth of Serie A came from commercial revenue, as in all European leagues however commercial revenue heavily depend on success on the field which is the reason why it is no surprise that Juventus received almost half of the \$840 million Serie A's commercial revenue.

A similar example of polarization can be seen when it comes to stadium ticket sales revenues, with Inter generating around 70% of the 317 million dollars of matchday revenue. In the last year, the new ownership - Chinese group Suning - managed to bring back the Intern fans to fill the 75.000 seats of San Siro stadium after many years of low attendance due to the lack of success of the team and the very high price charged by the club for the tickets.

After two consecutive seasons of generating profits, Serie A clubs financial statements have shown an operating loss of 40 million dollars for the 2018/19 season (the last one before covid). The main reason behind this is the transfer market, player trading is the only way for Serie A clubs to compete at the international level with the financial power of Europe's big teams due to the lack of regulations in this market that only helps teams with very high budgets. However, Serie A clubs increased their wage expenditure at the fastest rate of the 'top four' leagues in the last 3 years and returned to wages to revenue ratio of 70%. This happened because of many new investors that saw potential in the Italian league and decided to invest by purchasing teams. Suning from China bought Inter, The Friedkin Group from the United States bought AS Roma, Elliott fund purchased AC Milan, American billionaire Rocco Comisso purchased Fiorentina and 777 partners, an American fund, purchased Genoa.

Italian football clearly is not the powerhouse it was once, very old stadiums, financial problems experienced by clubs, match-fixing scandals and lack of European club victories have contributed to the decline of the once best league in the world. However new foreign investors have been very keen in investing heavily in Italian football and the last years have seen a return of great players to the league and return of interest by fans both nationally and internationally. It will take a few years but the direction Italian football is taking is the right way to get back to both financial and sport success with the historic tournament played by the Italian national team in Euro 2020 Italy has once again put her name back on the map.

The Bundesliga is what I believe to be the best business model throughout the whole European leagues. The Bundesliga is a league open to innovation, with great infrastructure, an innovative and unique ownership style and most importantly is the only league in Europe

that has all 18 of its clubs generating a profit. The DFL (German football federation) agreed to a deal after long negotiations for the new Bundesliga television-rights package during the first COVID-19 lockdown in early 2020. Sky Germany and streaming service DAZN (just like in Serie A) came out as the winners in the bidding war to broadcast the Bundesliga games in Germany. The total TV rights deals will bring the Bundesliga approximately €4.4 billion over the next four seasons, to add on to that global broadcast companies such as ESPN will contribute an extra €250 million to broadcast the German games globally.

The previous deal already included increased revenue sharing for clubs in the zweite Bundesliga (the second tier league of Germany). Zweite Bundesliga will receive a record €9 million in TV rights after the 2021/22 season, the most in its history.

A recent proposal composed by Bundesliga club FSV Mainz 05 and clearly supported by recently promoted teams Arminia Bielefeld and VfB Stuttgart seeks to raise that number as high as €50 million.

Details of the redistribution of the revenue from TV rights were recently published in Germany. The group of clubs aims to achieve TV revenue redistribution for the 18 top-flight Bundesliga clubs at 80 percent of income received.

The current system gives out 100 percent of the income for the 18 Bundesliga clubs. The second Bundesliga receives a separate income from the DFL that automatically increases by 1 million euros each year.

Only 25 percent of TV revenues are evenly distributed, the remaining 75% is reserved for clubs who meet performance based objectives like qualifying for the UEFA Champions or Europa League, very similar to what happens in the Premier League.


A new way of dividing TV revenues that limits the top-flight-share to 80 percent would constitute an enormous shift in the Bundesliga's financial dealings, it could be detrimental for the bigger clubs but it could also be a great step forward in achieving that much coveted competitive balance that American leagues have, this strategy does seem very close to an 'americanization' of the league but this type of innovation and risk taking must be applauded but also should cause reflection since such a change does mean that

something in the previous model was not working and has to be addressed not only in Germany but throughout the whole of Europe.

The last of the top 4 leagues is La Liga. I believe La Liga to be in a similar situation to Serie A both financially and sportingly. During the 2016-17 season La Liga established a new model where TV rights were sold collectively. After long negotiations with the most important Spanish clubs such as FC Barcelona and Real Madrid, a Decree was finally signed which led to a the creation of new form for the TV rights. Since then the economic disparity among the clubs has gradually been decreasing although the top clubs still take the majority of the shares of the revenue.

Over this time period La Liga reached one of its main economic objectives: reducing debt of almost of the clubs in the competition (not FC Barcelona) that they had accumulated in their balance sheets Revenue from broadcasting deals represents the main source of revenue for Spanish football just like all of the other European football leagues in the modern era.

When working with different models for the allocation of TV rights we can differentiate between an individual selling model and a collective selling model. La Liga has been selling TV rights individually from the first deal they signed until 2015 when a Royal Decree was approved by law to change the model into a collective one. Improvements since the change of the model have been astonishing when speaking about the financial side of the situation. The overall economic growth and development La Liga has encountered since the switch has been enormous as the table below clearly shows.

 LaLiga Total Revenue Breakdown since 2011-12 to 2016-17 € million								
Revenues streams	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	% variation in 6 years	% variation 2014 to 2016
Commercialization	407,10	387,90	392,00	506,30	561,20	622,30	52,9%	22,9%
Broadcasting	728,70	826,70	844,20	854,50	1.121,60	1.454,60	99,6%	70,2%
Match day	599,30	594,20	623,30	625,70	769,70	746,60	24,6%	19,3%
Other Revenues	137,90	120,30	132,00	198,40	202,30	245,90	78,3%	23,9%
Transfers	271,40	412,80	480,30	492,10	412,40	475,50	75,2%	-3,4%
Publicity	84,50	83,20	83,90	83,50	100,40	117,40	38,9%	40,6%
Total	2.228,90	2.425,10	2.555,70	2.760,50	3.167,60	3.662,30	64,3%	32,7%

17

The table above clearly illustrates the total revenue streams for the top Spanish football league since 2011. It also includes other factors that create revenue and does not limit itself to showing only broadcasting deals.

Collective selling of TV rights was implemented officially in the 2016-2017 season, with comparison to the 2014-15 broadcasting revenue has increased by a remarkable 70%. It also shows how there has been a 29.6% growth in revenue between the 2015-2016 and the 2016-2017 season.

With the new model for TV rights allocation 90 per cent of the revenue will go to the La Liga and the remaining 10 per cent to second-tier league Segunda division. With regards to the top tier leagues distribution of revenue the 90 per cent that is destined to it will be divided: 50 per cent is equally shared between the league's 20 teams, 25 per cent will be allocated according to sport results achieved during the previous five seasons, and the final 25 per cent distributed based on statistics such as the number of people that will pay for the TV subscription and number of viewers per fixture. This final allocation is based on the number of fans respective clubs have. The criteria chosen to allocate these resources are the following: one third by their average income from season tickets and matchday stadium

¹⁷ <https://www.sbibarcelona.com/newsdetails/index/413>

ticket sales over the past five seasons and the remaining 66% based on their contribution to broadcast revenue creation calculated through the comparison of the average audiences recorded by the participating clubs in each season.

Analysis and conclusion

A common trend that can be analyzed from the data collected and described in the previous pages is that the European football leagues have all been trying to innovate and find new strategies to increase their revenue. This is obviously an objective that all managers have in common (to pursue increase in revenue) but I believe this to be a different situation. I believe that top managers of European leagues are actively looking for a solution to save their respective clubs economically and financially while still maintaining a much needed level of sporting competitiveness to be able to attract sponsors and land lucrative TV rights deals. Excluding some anomalies in the system such as Paris Saint Germain and Manchester City that are clubs virtually owned by states (Qatar and United Arab Emirates) that have incredible amounts of money at their disposal and a great willingness from their ownerships to inject money in the clubs through recapitalizations and 'fake' sponsorships (sponsoring the clubs with companies owned by the same owners with sums of money that are clearly much higher than what the market would actually offer) most clubs are in debt and are experiencing financial difficulties at the moment. The Superleague was a cry for help but it clearly was not the correct way to address and solve an urgent situation. I believe that the current financial state of many of the top European clubs has two main culprits that are equally to blame: bad managerial decisions and the system.

FC Barcelona is probably the best example to use to comment this situation. FC Barcelona has been one of the most glorious football clubs in the history of the sport, players like Diego Armando Maradona, Lionel Messi, Ronaldo Nazario, Andres Iniesta and so many more have played there and contributed to winning 5 Uefa Champions League trophies, however at the moment Barcelona finds itself in a very difficult financial situation, as confirmed by the president of the club the club's debt has now reached 1.6 billion dollars and this has caused the club to sell its best players during the last transfer window. The club has reached this point because of the enormous amount of money that it has spent over the last 10 years on the transfer market in order to maintain competitiveness with respect to clubs like PSG and Manchester City, but by doing so the club's costs exceeded its revenues largely and it has caused this situation. I believe that former president Josep Bartomeu is to blame for the large number of wrong investments he has made over the years but on the

same level it could be theorized that he was 'forced' to do so in order to compete with clubs who have an 'unlimited' amount of money at their disposal.

Once again this proves how lack of regulation in the transfer market is a key weak point for European football that must be addressed and changed. I believe that by implementing the same or similar regulations that are currently present in the National Basketball Association and the National Football League which are a Salary cap and a trade system instead of a system in which players can be bought with cash clubs will be able to thrive both financially and sportingly. A salary cap should be introduced and should be set I believe at around 60% of the average revenue of all the clubs in a league, thus leaving the possibility to bigger clubs to spend more but preventing them from making their costs higher than their revenues and thus create debt. A trade system will create greater competitive balance and prevent teams with billionaire owners or funds to offer ridiculous amounts of money to purchase players from other teams.

I believe that in the long run such regulations will drastically improve the competitive balance of the leagues, will improve their economic sustainability and will increase viewership who will be more interested in such a new and innovative system which will as a consequence attract new sponsorship deals and increase revenue from broadcasting companies. To conclude I am strongly convince that to avoid the prediction that Juventus' president Andrea Agnelli made in early 2020 "the superleague was a cry for help to save an industry (football) that is moving towards inevitable insolvency" the European leagues together with UEFA must implement these new regulation and take great advice as well as trying to emulate the extremely lucrative American sports model without distorting completely the European tradition of open leagues and meritocracy but completely diversifying their economic regulation. Even if these regulations will go against the interest of some powerful investors and powerful managers they have to be put in action to save an industry that is a passion for millions of people and is the source of income of hundreds of thousands of families.

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