Assessing UEFA’s Financial Fair Play as a Multi-Dimension Regulatory Concept

– A Pan-European Survey from the Supporters’ Perspective –

Gregor Hovemann & Joachim Lammert
Motivation
FFP as a Multi-Dimension Regulatory Concept

The concept ultimately hopes to achieve the following fundamental objectives:

• To improve the **financial stability** of professional football clubs to ensure the smooth running of the competitions
• To protect professional football **clubs’ creditors** (e.g. players or other clubs)
• To regulate the influence of **external funding** (from investors, lenders or benefactors) on on-field competition

→ To protect the long-term viability of European club football
Motivation

• **Fans** are the relevant target group finally assessing the attractiveness and *long-term viability of European* club football

→ The intention of our research is:
  – to assess the supporters’ perspective on UEFA’s Financial Fair Play concept
  – to provide a feedback regarding the multi-dimension regulatory concept
  – to give recommendations for further improvements
Theoretical Background
Theoretical Background

• Governing bodies of professional sport leagues act as some kind of sports government (including legislature, judiciary and executive)
• League failure as a theoretical foundation for governing intervention (Lammert, Hovemann, Breuer & Daumann)
• Justification of regulating professional sport leagues e.g.:
  • Negative externalities
  • Public goods
Methodology
Methodology

- Empirical instead of a normative approach to assess the Financial Fair Play concept
- Because of the European relevance we conduct the survey on a pan-European basis in six different languages (English, French, German, Italian, Russian and Spanish)
- We have considered all 53 European football nations
- Our survey is supported by the European fan associations Football Supporters Europe and Supporters Direct
- Furthermore we have contacted via email and telephone
  - all members of the European Club Association, the European Professional Football Leagues and all national associations
  - For the big 5 nations: every club from the first division and leading football magazines
Methodology

- Fan institutions, clubs, leagues, national associations and magazines have promoted the survey via email-newsletters, web page entries or written articles
- Conduction as an online survey
- Extent of the survey: 80 different items
- Application of a Likert-Scale because of the easiness of its execution and its international pervasiveness
First Selected Results
Content overview

Different parts of the survey:

– current situation in European professional football
– objectives of the Financial Fair Play concept
– overall assessment of the Financial Fair Play concept
– personal interaction with football and demographic information
Return:

- Responses from 43 different European Countries

- Amongst others:
  - England 93  - Austria 54
  - France 10  - Lithuania 39
  - Germany 745  - Romania 60
  - Italy 175  - Scotland 41
  - Spain 147  - Slovakia 42
    - Slovenia 54

- 1627 completed questionnaires
### Results – Descriptive Statistics regarding the respondents

<table>
<thead>
<tr>
<th>Variable</th>
<th>Minimum</th>
<th>Percentile 0.25</th>
<th>Mean</th>
<th>Median</th>
<th>Percentile 0.75</th>
<th>Maximum</th>
<th>Standard Deviation</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency of match attendance</td>
<td>1</td>
<td>2.00</td>
<td>4.39</td>
<td>5.00</td>
<td>7.00</td>
<td>7</td>
<td>2.083</td>
<td>1627</td>
</tr>
<tr>
<td>Interest in Champions League</td>
<td>1</td>
<td>4.00</td>
<td>4.20</td>
<td>5.00</td>
<td>5.00</td>
<td>5</td>
<td>1.012</td>
<td>1641</td>
</tr>
<tr>
<td>Interest in Europa League</td>
<td>1</td>
<td>3.00</td>
<td>3.42</td>
<td>3.00</td>
<td>4.00</td>
<td>5</td>
<td>1.057</td>
<td>1641</td>
</tr>
<tr>
<td>Interest in own national league</td>
<td>1</td>
<td>5.00</td>
<td>4.64</td>
<td>5.00</td>
<td>5.00</td>
<td>5</td>
<td>.812</td>
<td>1641</td>
</tr>
<tr>
<td>Interest in other national leagues</td>
<td>1</td>
<td>2.00</td>
<td>3.29</td>
<td>3.00</td>
<td>4.00</td>
<td>5</td>
<td>1.149</td>
<td>1636</td>
</tr>
<tr>
<td>Number of favorite clubs</td>
<td>1</td>
<td>1.00</td>
<td>1.31</td>
<td>1.00</td>
<td>2.00</td>
<td>3</td>
<td>.536</td>
<td>1634</td>
</tr>
<tr>
<td>Frequency of CL participation</td>
<td>1</td>
<td>1.00</td>
<td>1.80</td>
<td>1.00</td>
<td>3.00</td>
<td>4</td>
<td>1.132</td>
<td>1548</td>
</tr>
<tr>
<td>Frequency of EL participation</td>
<td>1</td>
<td>1.00</td>
<td>1.81</td>
<td>2.00</td>
<td>2.00</td>
<td>4</td>
<td>.873</td>
<td>1539</td>
</tr>
<tr>
<td>Frequency of CL/EL participation</td>
<td>1</td>
<td>1.00</td>
<td>1.23</td>
<td>1.00</td>
<td>1.00</td>
<td>4</td>
<td>.589</td>
<td>1530</td>
</tr>
<tr>
<td>Age</td>
<td>12</td>
<td>23.00</td>
<td>32.38</td>
<td>30.00</td>
<td>39.00</td>
<td>99</td>
<td>11.684</td>
<td>1629</td>
</tr>
<tr>
<td>Gender</td>
<td>1</td>
<td>2.00</td>
<td>1.94</td>
<td>2.00</td>
<td>2.00</td>
<td>2</td>
<td>.233</td>
<td>1632</td>
</tr>
<tr>
<td>Highest educational qualification</td>
<td>1</td>
<td>3.00</td>
<td>3.60</td>
<td>3.00</td>
<td>5.00</td>
<td>5</td>
<td>1.290</td>
<td>1632</td>
</tr>
<tr>
<td>Nationality Big5 or not</td>
<td>0</td>
<td>.00</td>
<td>.72</td>
<td>1.00</td>
<td>1.00</td>
<td>1</td>
<td>.451</td>
<td>1632</td>
</tr>
</tbody>
</table>
Results – Current Situation in European Professional Football

- Expenses > revenues
- High level of debt
- Financial difficulties
- Financial stability
- Salary payments too high
- Transfer payments too high

England  France  Germany  Italy  Spain
Results – Current Situation in European Professional Football

Investment in youth development

Influence of ext. funding – nat.

Equality of fin. opportunity – nat.

Investment in infrastructure

Influence of ext. funding – internat.

Equality of fin. opportunity – internat.

England

France

Germany

Italy

Spain
Results – Opinion on the Objectives of Financial Fair Play

- Expenses < revenues
- Limitation of debt
- Avoidance of financial difficulties
- Preservation of financial stability
- Avoidance of excessive salaries
- Avoidance of excessive transfer fees
- Investment in youth development
- Investment in infrastructure
- Sensible financial management
- Regulation of external funding
- Equality of financial opportunity

Graph showing the percentage of respondents who agree with each objective.
Results – Objectives of Financial Fair Play and beyond – Insolvency and Consequences

Running of the league

Welfare of an entire region

England  France  Germany  Italy  Spain

Not Big 5  Big 5
Results – Objectives of Financial Fair Play and beyond – Transparency and Control

Disclosure of fin. position to UEFA

- England
- France

Disclosure of fin. position to fans

- Germany
- Italy
- Spain

Disclosure of fin. position to UEFA

- One favorite club

Disclosure of fin. position to fans

- More than one favorite club
- No favorite club
Results – Objectives of Financial Fair Play and beyond – Investments and Youth Development

Identification of home-grown players

Identification with home-grown players

Investment in transfer fees

Investment in infrastructure

Investment in youth development

England  France  Germany  Italy  Spain
Results – Objectives of Financial Fair Play and beyond – Influence of External Funding

Quality of football games

Fair on-field competition

England  France

Germany  Italy  Spain

Quality of football games

Fair on-field competition

Not Big 5  Big 5
Results – Objectives of Financial Fair Play and beyond – Competitive Balance

Attractiveness of a game between…

- Two equally strong clubs
- A strong and a weak club
- A very strong and a very weak club

England  France  Germany  Italy  Spain
Results – Overall Assessment of the Financial Fair Play Concept

Worthwhile
Strict application
Objective achievement
Preservation of long-term viability
Preservation of long-term attractiveness
Representativeness
Representativeness

Distribution of the responses on fans with different favorite clubs

<table>
<thead>
<tr>
<th></th>
<th>Different favorite clubs in the first division</th>
<th>Different favorite clubs in other divisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>England</td>
<td>12</td>
<td>19</td>
</tr>
<tr>
<td>France</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Germany</td>
<td>16</td>
<td>26</td>
</tr>
<tr>
<td>Italy</td>
<td>10</td>
<td>4</td>
</tr>
<tr>
<td>Spain</td>
<td>10</td>
<td>3</td>
</tr>
</tbody>
</table>
Robustness
Robustness

- No important differences for fans with one favorite club, more than one favorite club or no favorite club
- No important differences for a grouping based on frequent or occasional watching of football at the ground
- No important differences for a grouping for fans, whose favorite club takes part in European competitions or not
- No important differences for fans with different educational qualification
Conclusion
Conclusion

- Fans considerably perceive the problems of European club football leading to the birth of the Financial Fair Play concept
- Fans strongly support the objectives of the concept
- From the fan perspective further or expanding regulatory aspects seem to be promising to protect the long-term viability of European club football
- The overall assessment is generally positive except of the believe that UEFA will not apply the rules strictly and therefore the objective achievement will be low
Thank you for your attention!
Theoretical Background

For example: Financial stability of participating clubs

- Mechanism of hyperactivity (Alchian & Demsetz, 1972) and rat race (Franck, 1995) in professional sport leagues
- A breach of financial stability has negative effects for a club itself
- In addition to that it causes negative externalities (substantial damage for the reputation and the marketing of a sport league)
- If the utility function of a club would only contain the own negative effects it would rather be tempted to take a risk – leads to underproduction of financial stability
- This would lead to inefficient results for the league as a whole.
- Implies the role for the governing body of a professional sport league to release enforcing regulations
Results – Lower and Higher Interest in the UEFA Competitions

- Financial difficulties
- Influence of ext. funding – internat.
- Equality of fin. opportunity – internat.
- Avoidance of financial difficulties
- Regulation of ext. funding
- Advantageousness of equality of fin. opportunity

- Green: Lower Interest in UEFA competitions
- Dark Green: Higher Interest in UEFA competitions