

Football tournaments: The battle for the revenues

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A Comparison of Club football and FIFA

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Motivation - Background

- Different opinions between football officials from Europe and other continents observed at the 2015 FIFA congress
- Africa/Asia/Caribbean delegates supporting Blatter – sceptical towards European football officials
- European wanted to get rid of Blatter

Why?

Some patterns:

- Media rights the dominating revenue for those at the top of the value chain (tabs)
- Club football: The “Big-five” (England, Spain, Italy, Germany and France) more dominating than ever before
- Revenues from exporting TV football increasing
- Displacement of domestic football in the importing nations?
- FIFA revenues equally distributed (Development programmes)

	Total revenues (€-million)	Media rights:
	2013/14	percentage of total
English Premier League	3 898	54%
Germany Bundesliga	2 275	32%
Spanish La Liga	1 933	49%
Italian Serie A	1 699	59%
France Ligue 1	1 498	40%
Netherlands Eredivisie	439	18%
Belgium Jupiler League	284	29%
Austrian Bundesliga	161	18%
Denmark Super League	149	18%
Scottish Premier League	147	31%
Swedish Allsvenskan*	133	16%

FIFA revenues – Europe the number one market:

	1998-2002	2003-2006	2007-2010	2011-2014
Media rights:				
Europe	464 (46%)	589 (45%)	1289 (54%)	1167 (48%)
Asia / North Africa			504	604
South / Central America	536	713	329	356
North America / Caribbean			211	245
Rest of the World			72	54
Total media rights:	1000	1301	2405	2426
FIFA total revenues	1812	2629	4189	5718

Media rights – Big 5: From Domestic / International markets (€-mill.)

	Period 1	Period 2	Period 3	Period 4
England	800 / 311	796 / 591	1299 / 908	2211 / n.c.
	(72% / 28%)	(57% / 43%)	(59% / 41%)	-
Spain	435 / 65	471 / 123	532 / 235	n.c. / 650
	(85% / 15%)	(74% / 26%)	(75% / 31%)	-
Italy	793 / 70	817 / 91	858 / 117	1150 / 215
	(91% / 9%)	(89% / 11%)	(88% / 12%)	(84% / 16%)
France	642 / 8	668 / 17	607 / 33	727 / 80
	(99% / 1%)	(97% / 3%)	(95% / 5%)	(91% / 9%)
Germany	320 / 18	322 / 53	470 / 71	534 / 160
	(94 % / 6%)	(85% / 14%)	(83% / 13%)	(77% / 23%)

The spending on media rights from the Big-Five as percentage of domestic leagues

Asian Markets	
Malaysia	900%
India	800%
Thailand	700%
Korea	300%
Japan	100%
South America	
Latin America	21%
Top-5 European markets	
France	16%
Italy	2,7%
Germany	1,3%
Spain	1,3%
UK	1,2%
Other European markets	
Nordics	77%
Holland	70%
Greece	39%
Belgium	22%
Turkey	5%

The revenue of the average club compared to an average club in Premier League and Bundesliga (2013/14 season)

	English Premier League	German Bundesliga
Netherlands	12%	19%
Belgium	9%	14%
Austria	8%	13%
Denmark	6%	10%
Scotland	6%	10%
Sweden	4%	6%

Why?

- Technology innovations in media => increased capacity in frequencies
- Economies of scale advantages in production/transmission of TV sport
 - Low transmission costs
 - High degree of sunk costs in production of live sport
=> favourable for export
- Beneficial those that have the products of best quality, i.e. the big-five

Summary:

- The market forces are “ruling” in club football

FIFA

- 90-95% of revenues from the World Cup
- Democracy: One nation – one vote (Not transparent)
- Distribution of FIFA funds favouring the poor members
 - Financial assistance programme: Equal distribution
 - Goal project: Favouring low income members
 - Blatter the founder of these two programmes
- The majority of FIFA members have low revenues
- The Median Voter Theorem
 - The voter whose preferences are in the middle
 - 50% on each side

Media voter theorem – a short introduction

- Typical issue: How much to spend on a project
- Assumes the voters prefer one alternative to all the other (one peak)
- In the example below, the majority will vote to increase/reduce until 300

Preferences	100	200	300	400	500
Voters:	a	b	c	d	d

Media voter theorem applied on explaining the distribution of FIFA's revenues

Preferences	Subsidising poor nations	Equal distribution	Unequal distribution	More unequal distribution	Market-forces distribute
Voters:	XXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXX	XXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXX	XXXXXX
	The median voter is here				

Summary – conclusions:

- Market forces distribute the revenues in club football in a way that is favourable for those that have the best products
- Technology innovations made it easier for the big-five to reach out
- FIFA's revenues distribution model favourable for the low-income football nations

Research question:

Can the two different distribution models explain why football officials from other continents are sceptical towards Europe?

Thanks for your attention😊