



# THE BUSINESS OF FOOTBALL




Sehaj Bhatia

---

## Introduction

Football is the beautiful sport that brings in billions of dollars every year as the world's most popular sport. With the World Cup currently underway in Qatar, there has been no shortage of controversy. The event has focused attention on the regulatory organizations of football, who have long been accused of corruption and bribery. However, the average fan is not exposed to FIFA or UEFA. Instead, most of the people study and follow football at the individual and team levels through European teams such as Liverpool and Manchester City in England, Juventus and AC Milan in Italy, and Barcelona and Real Madrid in Spain. The spectacle of football is made possible by these private clubs. Football clubs, such as Manchester United, Juventus, and Barcelona, operate in a business model that is often unprofitable and heavily reliant on external revenue streams. While these clubs generate billions of dollars in revenue, they struggle to achieve positive cash flow and profitability.



The three core income streams for football clubs are matchday revenue, broadcast revenue, and commercial revenue. Matchday revenue comes from ticket sales, concessions, and other sales during home games. However, this revenue stream has become less significant over time. For example, Manchester United's matchday revenue has accounted for less than 20% of their total revenue in recent years.

Broadcast revenue, on the other hand, has grown significantly due to the increasing value of streaming rights. The Premier League negotiates broadcast deals on behalf of its clubs, and the revenue is distributed among them. Manchester United has benefited from the growth of broadcast revenue, which has accounted for 34% of their revenue.

Commercial revenue is where football clubs have been able to excel. It involves entering sponsorship and endorsement deals with various brands. Manchester United has been particularly successful in this area, securing lucrative deals with global sponsors as well as regional sponsors in different markets. Commercial revenue has quadrupled for Manchester United over the years and now contributes 44% of their total revenue.

Despite the significant revenue generated from broadcast and commercial sources, it is still not enough to cover the high player salaries, which are the biggest operating expense for football clubs. Player salaries have grown in line with or even higher than the growth of commercial revenue, making it difficult for clubs to achieve profitability.

---

The success of football clubs is not solely determined by on-field performance but also by their ability to attract fans and sponsors. If a club loses fans or fails to perform well, it may affect sponsorships and revenue streams. Therefore, even successful clubs like Manchester United need to maintain a balance between on-field performance and financial stability.


It's important to note that the information provided here reflects the general state of football clubs and their business models. Individual clubs may have different financial situations and strategies.

If a club like Manchester United consistently underperforms on the field and fails to meet fans' expectations, it risks losing its fanbase and ultimately its commercial value. The success of a football club is deeply intertwined with its on-field performance, as it affects ticket sales, merchandise purchases, and overall brand loyalty.

While commercial revenue has been a significant driver of Manchester United's financial success, it is important to note that the club has faced criticism for prioritizing financial gains over sporting achievements. Critics argue that the focus on commercial deals and dividends for owners and investors has overshadowed the club's commitment to on-field success.

The financial challenges faced by football clubs extend beyond Manchester United. Many clubs operate at a loss, relying on injections of capital from wealthy owners or investments in the hope of future profitability. Some clubs





intentionally operate at a loss, anticipating a significant return on investment when they decide to sell the team.

The problematic business model of football clubs raises questions about the sustainability of the sport. It highlights the dependence on external factors such as wealthy owners or lucrative commercial deals to sustain the financial viability of clubs. This can lead to imbalances in competitiveness and potential financial instability within the football ecosystem.

Furthermore, the focus on commercial revenue and global brand appeal has led to an increasing disparity between elite clubs and smaller, local clubs that struggle to compete financially. This divide has sparked debates about the fairness and competitiveness of football as a sport.

---


## Solution

In recent years, there have been growing calls for greater financial regulation and reforms within the football industry. These calls aim to address the imbalances and issues caused by the current business model.

One proposed solution is the implementation of financial fair play regulations, which seek to ensure clubs operate within their means and prevent excessive spending beyond their revenue capabilities. These regulations impose restrictions on clubs' financial activities, such as limiting the amount they can spend on player transfers and wages and requiring them to balance their books over a certain period.

Financial fair play regulations aim to promote financial stability, fair competition, and a more level playing field within football. However, their effectiveness and enforcement have been a subject of debate. Critics argue that some clubs find loopholes or ways to circumvent these regulations, while others suggest that the regulations stifle clubs' ability to invest and compete.

Another proposed solution is the concept of fan ownership or supporter involvement in club governance. This approach aims to give fans a direct say in decision-making processes and ensure that the club's interests align with those of its supporters. Fan ownership models have been successfully implemented in some clubs, fostering a sense of community and accountability.



Additionally, there have been discussions about creating a more equitable distribution of revenue within the football ecosystem. Currently, a significant portion of revenue is concentrated among a small number of elite clubs, leaving smaller clubs struggling to compete financially. Implementing measures to redistribute revenue more evenly could help address this imbalance and promote greater competitiveness across all levels of football.

Furthermore, increased transparency and accountability in club finances could contribute to a more sustainable and fair business model. Requiring clubs to disclose financial information and undergo rigorous financial audits can help identify and address issues such as excessive debt or mismanagement.

---

## Conclusion

In conclusion, while football clubs like Manchester United have successfully monetized their brand and generated substantial revenue through commercial deals, the sustainability of their business model remains a topic of concern. The reliance on external investments and the prioritization of financial gains over on-field success raises questions about the long-term viability and integrity of the sport.

Overall, addressing the challenges within the business model of football requires a combination of financial regulation, fan involvement, revenue redistribution, and increased transparency. By implementing these measures, it is possible to create a more sustainable, competitive, and fair environment for football clubs and their fans.