

**The business of sport:
Towards a viable business model for
the management of professional football in Africa**

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DEDICATION

This doctoral thesis is dedicated to all my family members, especially my wife and my children; Lehlohonolo, Karabo, Motse, Tlotliso, and Bokang for providing me with the opportunity to study and with the inspiration for learning. To you I say thank you.

This is also dedicated to the millions of our people in South Africa who under very difficult circumstances continue to search for education and knowledge. To all of you, I say education is Power!

DECLARATION OF LANGUAGE EDITOR

I, Moeketsi Mosola, herewith declare that the language of this research report has been United Kingdom English edited in the APA style by Jill Bishop, a language practitioner and a full member of the Professional Editors' Guild.

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Date

I, the undersigned, declare that this thesis is my own original work and has not been previously used in full or in part at any other university for degree purposes.

Moeketsi Mosola

Date

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SUMMARY

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Sport plays a big part in the lives and psyche of not only South Africans and the world's citizens, but also those of the corporate world. As the era of professional sports grows and gains a foothold in more and more sporting codes, so the amount of money that is being spent is growing as well. Humphreys and Ruseski (2009) recognise the challenges confronting economists in both defining and measuring the size and scope of the sport industry. According to Chalip (2006) the development of the recreation and sport management field requires two complementary streams: one that tests the relevance and application of theories derived from other disciplines, such as finance and economics, and one that is grounded in sport phenomena. Linking economic and financial theory to the context of the sport industry, and specifically professional football, to try and understand this most popular and universal of activities from a business perspective in Africa, is the basis for this study.

Professional football clubs as an element of the South African sport industry depend largely on four main sources of revenue: sponsorships, gate revenue, television and broadcasting rights, and merchandising. The challenges these professional football clubs face include rising ticket prices; corporate sponsorship facing economic and regulatory concerns; broadcasters facing a great challenge in integrating social media into their offerings; and rising player costs and talent development with long lags before they pay off. As a result professional football clubs are increasingly finding it difficult to balance the needs of stakeholders and be commercially viable at the same time.

It is this new reality reflected by the challenges mentioned above, that has caused many organised professional football clubs to look beyond the traditional financing concepts and strategies that have been used and to supplement them with innovative approaches. It is postulated in this research that professional football clubs in Africa are required to seek out scarce resources from a wide range of possible revenue sources and to use their knowledge of sport and financing skills to ensure that the scarce revenue sources are allocated in such a way as to yield optimum satisfaction for their fans and commercial profits for their club owners. Further, failure to do so by these professional football

clubs in Africa has resulted in these clubs not being commercially viable and lagging behind Europe in so far as the commercialisation of professional football is concerned.

The reality that South African and most African professional football clubs are not financially viable and thus do not yield healthy returns on investment for their owners, resulted in formulating two research questions to guide this study:

- 1. Why are African professional football clubs not commercially viable?**
- 2. Can commercially relevant, practical, measurable and consistent variables from successful European professional football clubs be transferred to develop a viable business model for the effective management of professional football in Africa?**

This study followed a mixed-method design. The data collection also involved gathering both quantitative numeric information (three-year financial records of leagues and clubs in Europe and Africa) as well as qualitative text information (semi-structured interviews and professional football expert research document analysis). The procedure for both qualitative and quantitative data collection and analysis was conducted rigorously. The study began with a detailed financial analysis of leagues and clubs in Europe and Africa in order to generalise results to a population and then focuses, in the second phase, on detailed qualitative, semi-structured interviews to collect detailed views from professional football experts.

Why is the African professional football business model not commercially viable? From the collective results obtained it became clear that the answer to this important study question is both complex and multi-layered. Triangulation protocol was used determine reliability and consistency of the results.

The overall results indicated that the African professional football business model contains similar variables to the European professional football business model and the Generic business model. These variables are 1) Value proposition, 2) Target consumer, 3) Infrastructure capabilities, 4) Financial aspects, and other key factors. This key conclusion confirmed that the identified variables are indeed appropriate to use as a basis for designing a new African professional football business model, and that the African professional football leagues and clubs that incorporate these variables into their professional football business model stand to be more commercially successful than those that do not. The value of the new suggested African Professional Football Business Model is that

only those African professional football leagues and clubs that are actively involved in putting in place well-aligned, coordinated and integrated professional football business models that are functional and performance-orientated will produce high financial and economic value that can contribute to economic development, job creation, and the total transformation of professional football on the African continent. The researcher advises that it must, however, be noted that the economic contexts of Europe and Africa differ substantially, and this needs to be factored into a commercially viable African professional football business model.

The study concludes with recommendations. It is recommended that based on its success in Europe, African professional football leagues and clubs use this newly developed African Professional Football Business Model as a basis for the effective management of professional football in Africa. It is important for these leagues and clubs to note that while these variables are similar to those of Europe, the African context is unique and different and needs to be considered.

It is recommended that African leagues in particular invest in the development of the identified critical skills such as marketing, brand development, reputation management, finance and leadership skills. African professional football leagues need to develop clear education programmes to build these skills over a period of time for their African professional football clubs. Ultimately, African governments have to realise that the lack of development of specific skills needed in the sports industry can hamper the creation of financial and economic value. It is in the interest of economic growth, job creation and poverty relief that African governments support industries such as sport to meet these important social and economic objectives. It is recommended that instead of seeing professional football development and profit maximisation objectives as separate and different from one another, African professional leagues and clubs should treat them as integral and must integrate them into their value proposition. It remains valid that while integration of these objectives into the value proposition is important, the emphasis will always be different and unique depending on country and local circumstances. It is recommended that leagues and clubs develop very specific tools to engage their fans, such as customer relationship management, social media, Internet, and mobile phones. By doing this professional football leagues will improve their brand recognition and reputation management, which will lead to financial and economic value. It is recommended that ministries of sports in Africa work very closely with private industry, including professional leagues and clubs in their countries, to develop the necessary logistics and distribution infrastructure for distributing professional clubs' products to the market. Critical to this is the development of a long-term sport industry plan that deals with key issues such as vision of sport,

infrastructure, skills, and leadership development – a sport industry master plan. It is recommended that leagues and teams recruit and employ appropriately qualified staff to develop financial strategies that are on the cutting edge of professional football management today.

Implications for further study centre around investigating the relationships between African professional football and entertainment, new digital media, the competitive balance in African professional football and the globalisation of African professional football.

Key words: business of sport, sport business model, professional football business models, African professional football models

CHAPTER ONE

ORIENTATION, PROBLEM STATEMENT, AIM AND OBJECTIVES AND RESEARCH METHODOLOGY OF THE STUDY

1.1 INTRODUCTION

“Sport has the power to change the world. It has the power to inspire. It has the power to unite people in a way that little else can. Sport can awaken hope where there was previously only despair.”

– Nelson Mandela, Laureus World Sports Awards Ceremony 2000.

Sport plays a big part in the lives and psyche of not only South Africans and the world’s citizens, but also those of the corporate world. As the era of professional sports grows and gains a foothold in more and more sporting codes, so the amount of money that is being spent is growing as well. Adcroft and Teckman (2009) are of the opinion that sport should be taken seriously because it has a significance that goes beyond the field of play, and that this significance includes the economic and commercial spheres.

According to Cornelissen (2007), the current significance of sport mega-events should be partially attributed to the wholesome commercialisation that global sport has experienced over the past 30 years, tied to the deliberate restructuring of major professional team sports towards the goal of profit maximisation. The billionaire South African businessman Mr Robert Gumede, who bought a 49.9% stake in the Gauteng Lions Rugby team, captures this commercialisation and link between business and sport in a South African context. He commented that they “wanted to create a winning culture with business-like cutting-edge management that will ultimately transform the Lions” (Imray, 2010:8).

Humphreys and Ruseski (2009) recognise the challenges confronting economists in both defining and measuring the size and scope of the sport industry. They agree, however, that it is an important question to ask, because the answer places sport economics research in context and highlights the importance of the field. These researchers go further to urge others to continue to work on this incompletely answered question (Humphreys & Ruseski, 2009). According to Chalip (2006) the development of the recreation and sport management field requires two complementary streams: one that tests the relevance and application of theories derived from other disciplines, such as finance and economics, and one that is grounded in sport phenomena. Linking economic and financial theory to the context of the sport industry, and specifically professional football, to try and

understand this most popular and universal of activities from a business perspective in Africa, is the basis for this study.

1.2 RESEARCH PROBLEM AND RESEARCH QUESTION

According to Shannon (1999) the growing interest in professional sport in general has ensured a focus on the sport industry as big business, and there can be no doubt that sport is truly a business venture. Shannon (1999) further states that how one defines the sport industry will have a dramatic effect on the size of that industry, but that there can be no question that the industry is large and its economic and social impacts are substantial.

Estimating the economic size of the sport industry is an important exercise; unlike other industries, the sport industry extends across the usual classifications of economic activity included in national income and product accounts (Humphreys & Ruseski, 2009). It includes mass participation in sport and watching, listening, and following sports competitions on various media. Economic data from each of these areas have problems that make it difficult to accurately estimate the size of the sport industry (Humphreys & Ruseski, 2009). Johnson, Groothuis and Whitehead (2001) also share the view that even though the economic value of sport public goods may be large, economists have rarely attempted to measure them.

Von Allmen (2005) argues that analysing the economics of sport can be a further incentive to study further in the field of economics. He states that seeing economic theory explained and tested in such an inherently interesting context can stir interest in motivated students to continue as students of economics and finance, and not only as students of sport (Von Allmen, 2005). According to Humphreys and Ruseski (2009) the measurement of the total economic activity in the sport industry is a difficult task. This argument is also supported by Fort (2010) who points out issues of data integrity. Chalip (2006) is of the opinion that sport management is relatively young as an academic discipline. The most potent advantage of this is that those who study sport management or who have an interest in the field have an opportunity to build the discipline's foundation and shape its future. The biggest disadvantage, however, is growing pains and sometimes the self-doubt that accompanies such an effort.

The Department of Sport and Recreation South Africa (SRSA, 2008) states that the ability of an overall sport system, together with its component parts, to design and establish a sport system that produces both social and economic values differing in magnitude from country to country is vital

to any country. SRSA states that there is no sport system in the world that does not have measurable social and economic values and that in many ways sport has become big business and is an investment with a far-reaching impact.

Football – or soccer, as many call it – is the most widely played sport in South Africa, with its traditional support base in the black communities. For many South Africans, the country’s proudest sporting moment came when the country won the African Nations Cup on home turf in 1996. Football is intensely followed, and the quality of the local game keeps improving as demonstrated by the increasing number of South African players among the glamorous European clubs. Local teams, organised in a national league plus a plethora of knockout cups, are followed with passion by paint-daubed, costumed, whistling and cheering fans. Mercifully, the country has been spared the spectre of football hooliganism. There’s probably no quicker way to “break the ice” with a South African on the street than to demonstrate some knowledge of local football.

One of the first gifts that democracy brought South Africa was its first truly representative national soccer team. In 1992, two years before the country’s first democratic election, the first united South African team played Cameroon in its first match in Durban on 9 July 1992. It was a triumphant occasion for the side that came to be known as Bafana – “The Boys” – as they edged the West African powerhouse by a goal to nil. The win, however, concealed the negative effect that apartheid-enforced isolation had had on local soccer. This lack of international experience showed as South Africa lost four matches in a row – to Cameroon, Zambia, Nigeria and Zambia – in failing to qualify for the 1994 African Nations Cup. When South Africa hosted the 1996 African Nations Cup, however, they proved they belonged in the finals by defeating Tunisia 2-0 in the final. It was during the team’s run to the title that its nickname, “Bafana”, became known around the world.

South Africa’s senior women’s team, Banyana – “The Girls” – traditionally has been the strongest team in southern Africa and one of the best in Africa. For many years, Nigeria was their stumbling block, but that barrier was finally broken in 2012 in the semi-finals of the Confederation of African Football (CAF) African Women’s Championship. Like Nigeria, though, Equatorial Guinea has twice beaten Banyana in the final of African Women’s Championship. The team finished runner-up to Nigeria in 1995 and 2000, and runner-up to Equatorial Guinea in 2008 and 2012. There were also second-place finishes at the All Africa Games in 2003 and 2007. One of their biggest achievements was qualifying for the Olympic Games in 2012 in London. In a very tough pool, up against three teams ranked in the top 10 in the world, Banyana went down 1–4 to Sweden, lost 0–3 to Canada, but then held World Cup champions Japan to a goalless draw.

Kaizer Chiefs, never seems to play an away match. “The Amakhozi” as they are affectionately known often draw more supporters at away games than their opposition. Founded in 1970 by Kaizer Motaung, who made his name in the United States when the American league was drawing such superstars as Pele, Johan Cruyff and Franz Beckenbauer. Kaizer Chiefs are one of South Africa’s most successful teams. Thrice the winners of South Africa’s Premier Soccer League (PSL) since its launch in 1997, the Soweto-based team secured their first African title in 2002 when they won the Cup Winners Cup – renamed after Nelson Mandela by defeating Inter Luanda of Angola in the final.

Formed in 1937, Orlando Pirates has a support base extending across the country’s borders. Four-time winners of SA’s PSL since its launch in 1997, “The Buccaneers” are the only South African team so far to have won Africa’s premier club competition, the Champions League, a feat they achieved in 1995. Like Kaizer Chiefs, Orlando Pirates (who are also based in Soweto) are seldom disadvantaged when they play away from home, with fanatical supporters spread throughout South Africa. The fierce traditional rivalry between Pirates and Chiefs makes for one of the biggest derby matches in the world. In November 2007, on the day preceding the 2010 FIFA World Cup draw in Durban, the Chiefs–Pirates derby was broadcast throughout Africa and 43 European countries, a first for South African football.

While Chiefs and Pirates have long battled for the title of South Africa’s most popular club, other outfits have emerged to challenge for the position, among them two Tshwane/Pretoria-based clubs: Mamelodi Sundowns and Super Sport United. Backed by billionaire mining magnate Patrice Motsepe, Mamelodi Sundowns have the finances to ensure a squad with depth and quality. The club is often compared to England’s Chelsea, which rose to prominence partly through the backing of Russian billionaire Roman Abramovich. “The Brazilians” have been the most successful team since the formation of the PSL in 1997, winning the title on five occasions, most recently in 2007. Since then, however, they have had to surrender the title to another “youngster” among South African football clubs. Super Sport United was formed in 1994, when pay-television company M-Net bought Pretoria City and renamed the club after its popular sports channel. They lifted the PSL title in three successive years, from 2008 to 2010. It is important to note that the four PSL teams mentioned are the only commercially viable ones: all 14 other teams in the PSL are losing money, some even on the verge of bankruptcy PriceWaterHouseCoopers (PwC, 2013).

South Africa’s top soccer league, the PSL, featuring the country’s best 16 clubs, came into being in 1996. The PSL has helped raise the standard of club football in South Africa, providing the sport with better media coverage and much-improved revenue through strong sponsorship deals. It has

also provided a platform for local players to make their mark and catch the eye of overseas clubs. In June 2007 the PSL pulled off an astounding coup when it signed an R1.6 billion broadcast deal with Super Sport International, a local exclusive sport broadcaster.

In August 2007 corporate heavyweights South African Breweries (SAB) and Absa Bank (ABSA) announced a joint sponsorship of more than R500 million over the next five years for South African football. SAB is behind Bafana Bafana, while Absa sponsors the PSL's Premier Division. In February 2008 Nedbank announced that it would be putting up R20 million in prize money for the Nedbank Cup knockout competition as part of a five-year, R400 million sponsorship of the local game. In August 2008 cellular giant MTN committed the same amount—R400 million over five years—to the local game, while taking over the title sponsorship of the Top 8 knockout tournament. These deals combined have made South Africa's PSL the seventh biggest earner of sponsorship revenue among football leagues worldwide. It must be said that also Soccer World Cup 2010 South Africa contributed to the increased revenue in professional football.

Professional football clubs as element of the South African sport industry depend largely on four main sources of revenue: sponsorships, gate revenue, media rights, and merchandising. The challenges South African professional football clubs face include rising ticket prices; corporate sponsorship is facing economic and regulatory concerns; broadcasters are facing a great challenge of integrating social media into their offerings; there are rising player costs and talent development with long lags before it pays off. As a result professional football clubs are increasingly finding it difficult to balance the needs of stakeholders (shareholders and fans) and be commercially viable at the same time (PwC, 2013). Add to the above complexity the fact that all the commercial value created by professional sport organisations can be destroyed by poor player behaviour and administrative corruption (Lee, 2005): for example, Lance Armstrong's cycling doping scandal, Hansie Cronje's cricket match-fixing scandal, Oscar Pistorius' murder case, Cricket South Africa's experience with the performance bonus scandal, and the South African Football Association (SAFA)'s pre-World Cup 2010 match-fixing scandal. All these have the potential to destroy the commercial value of sport. More recently, the world football governing body, the Federation of International Football Associations (FIFA) was engulfed in a massive corruption scandal that has seen six of its executive members arrested. Furthermore FIFA Secretary General, Jerome Valcke, another executive committee member Michael Platini, and the former FIFA President Sepp Blatter have all been put on suspension while a massive worldwide corruption investigation is being conducted. The result of this corruption scandal has seen major sponsors such as Coca Cola,

MacDonald's, and Adidas threatening to withdraw their sponsorships unless FIFA introduces major reforms to the sport, and that those found to have broken the code of conduct and laws are put on trial and punished. In fact, it was only after these sponsors called for Sepp Blatter to step down with immediate effect, that he was put on 90 days' suspension and subsequently banned from sport for eight years.

It is this new reality, reflected by the challenges mentioned above, that has caused many organised professional football clubs to look beyond the traditional financing concepts and strategies that have been used and to supplement them with new approaches. It is postulated in this research that professional football clubs in Africa are required to seek out scarce resources from a wide range of possible revenue sources and to use their knowledge of sport and financing skills to ensure that the scarce revenue sources are allocated in such a way as to yield optimum satisfaction for their fans and commercial profits for their club owners. Further, failure by professional football clubs in Africa to seek out scarce resources and to use their knowledge of sport marketing, branding, reputation management and financing skills to ensure optimum satisfaction for their fans and commercial profits for their club owners, has resulted in these clubs not being commercially viable.

The reality of South African and African professional football clubs not being financially viable and thus not yielding healthy returns on investment for their owners, resulted in formulating two research questions to guide this study:

- 1 Why are most African professional football clubs not commercially viable?
- 2 Can commercially relevant, practical, measurable and consistent variables from successful European professional football clubs be transferred to develop a viable business model (BM) for the management of professional football in Africa?

1.3 AIM AND OBJECTIVES

The overall aim of this study is to propose a viable BM for the management of professional football in Africa. The study is guided by the following specific objectives:

- 1 Explore the business context and models of professional sport and professional football in an international context.

- 2 Analyse, assess and compare quantitative historical financial data on identified variables between European models of commercially successful professional football models and African professional football models. European professional football models are those such as the English Premier League (EPL) and Manchester United, and in Africa, they are the South African PSL and Kaizer Chiefs.
- 3 Obtain and analyse the qualitative views of professional football experts in the business of sport on the relevance and scope of variables contributing to the commercially viable professional football models.
- 4 Integrate collected quantitative and qualitative data to construct a viable BM for the management of professional football clubs in an African context.
- 5 Make recommendations to South African and African professional football clubs and leagues and government to improve the commercial viability of their clubs.

1.4 ACADEMIC VALUE AND CONTRIBUTION OF THE STUDY

It is the researcher's submission that by studying commercially successful viable professional football models in Europe, given that professional teams from this region are in the top ten most commercially successful teams in the world according to the Deloitte & Touche (2013) analysis, a model can be developed by identifying the commercially relevant, practical, measurable and consistent variables (both quantitative and qualitative) that are successful and using them to develop a viable BM for professional football clubs in Africa. In applying the proposed model, careful consideration will have to be given to Africa's unique context. The success of such a model would help professional football clubs to deal with the challenges of managing their finances in the twenty-first century in an African context.

1.5 SYNOPSIS OF RESEARCH METHODOLOGY

This study follows a mixed-method design. According to Creswell (2009), a mixed method approach is one in which the researcher tends to base knowledge claims on pragmatic grounds. It employs strategies of enquiry that involve collecting data either simultaneously or sequentially to best understand research problems. The data collection also involves gathering both quantitative numeric information and qualitative text information, for example, so that the final database represents both quantitative and qualitative information. Creswell (2009) states that in using this approach the researcher bases the enquiry on the assumption that collecting diverse types of data

best provides an understanding of a research problem. It also includes the analysis of both forms of data. The procedure for both qualitative and quantitative data collection and analysis needs to be conducted rigorously. Creswell (2009) elaborates that the study begins with a broad survey in order to generalise results to a population and then focuses, in a second phase, on detailed qualitative, open-ended interviews to collect detailed views from participants.

The approach of this study in terms of a mixed-method design was therefore to seek out and conduct first a quantitative financial analysis of the EPL, Manchester United Football Club, South Africa's PSL and Kaizer Chiefs Football Club. Audited historical relevant commercial data were gathered and analysed from the annual audited financial records for the past three financial years (2010, 2011, 2012) of these professional football organisations, namely: EPL, Manchester United, South African PSL, and Kaizer Chiefs. The objective here was to firstly to ensure that, through an inductive reasoning process, quantitative data together with existing literature review were used to construct a relevant viable model of managing professional football clubs for professional football in Africa. It was envisaged that the variables of a viable BM for professional football that are identified during the literature review phase of this research would be further explored and examined. An attempt was made to gather historical financial data per variable with which to determine a particular variable's relative size and value in terms of its importance. Most of these records are available to the public.

Qualitative data were gathered using semi-structured interviews with relevant professional football experts in the professional football industry, and document analysis of experts' research reports. These experts were senior executives from the EPL, Manchester United, South African PSL, Kaizer Chiefs, Deloitte and Touche in England, PwC in South Africa, SAFA, and the Department of Sports and Recreation South Africa. Important demographic variables such as youth development (Deloitte & Touche, 2013), corruption (Gratton, Liu, Ramchadani & Wilson, 2012) and professional administration (Howard & Crompton, 2005) were investigated as it has been shown the Deloitte research reports. The independent views of professional sport and football experts and analysts from Deloitte and Touche and PwC were first sought to minimise any bias that the author's research findings might introduce. Both these companies release well-respected and cited reports on the commercialisation of professional sport. The researcher had access to these independent experts.

A proposed viable BM for the management of professional football clubs in South Africa is presented using the combined results of the quantitative and qualitative analysed data. The

implications, uses and importance of utilising such a BM are also discussed, including its limitations. In Chapter Four the research methodology applied in this study is discussed in detail.

1.6 LIMITATIONS OF THE STUDY

All research investigations have limitations. The following limitations are recognised in this study. Availability of financial information regarding football clubs and leagues is readily available in the public domain; however, where such information was privately held, using the instruments of analysis, the researcher endeavoured to make necessary adjustments to clubs' and leagues' financial data to enable more meaningful comparisons without introducing bias and without impacting the validity of the study. This included the elimination of significant non-football commercial data deemed irrelevant in the context of the study. Where some differences in financial data between clubs and leagues overtime occurred due to different commercial arrangements and ways in which transactions were recorded, the researcher used both the Generally Accepted Accounting Framework (GAAF) and International Financial Reporting Standard (IFRS) framework to allow consistent quantitative comparisons and analysis.

1.7 DEFINITION OF KEY TERMS USED IN THE STUDY

Sport industry: A market in which people and businesses are involved in producing activities that focuses on sport.

Football or Soccer: A game played by two teams of eleven players with a round ball with the objective of scoring goals.

Business model: A design for the successful operation of a business, revenue, customers, products and details financing.

Commercial viability: The ability of a business, product, or service to compete effectively and to make a profit.

Professional football: Football played for pay by athletes and that can generate revenue.

Professional sport: Sport played for pay by athletes and that can generate revenue.

Business of sport: A market in which people and businesses are involved in producing activities that focuses on sport.

1.8 THESIS OUTLINE

In the review of literature in Chapters Two and Three of this thesis, two underlying key concepts – the business of professional sport and the business of professional football—are explored. Chapter Two investigates and clarifies the business of professional sport by analysing different BMs of professional sport in the context of Europe and Africa. Chapter Three probes deeper into the business of professional sport and specifically appraises and compares the business of professional football in Europe and Africa. In Chapter Four a detailed account of the research methodology used in this study is presented. This is followed in Chapter Five by the presentation and interpretation of the results obtained from the mixed method of data collection. The study concludes with Chapter Six, where the researcher draws conclusions based on interpreted results, provides recommendations and presents a viable BM for the management of professional football in Africa, as an academic contribution to the body of knowledge of the management of professional sport and its business.

1.9 CHAPTER CONCLUSION

This chapter placed the study in context by providing an introduction to the topic, a statement of the research problem, the aim and objectives to be achieved and an overview of the research methodology. The next chapter explores the business of professional sports models by clarifying basic foundations of the football sport model and the size of the global, African, South African, and European sport industries as background to the business of professional football discussed in Chapter Three.

CHAPTER TWO

THE BUSINESS OF PROFESSIONAL SPORT

2.1 INTRODUCTION

6 This chapter reviews and examines the business of professional sport locally and globally, and links to Objective One (Explore the business context and models of professional sport and professional football in an international context) of the study. In exploring and establishing the status of the business of professional sport, literature is presented and analysed to firstly clarify the concept of professional sport within the broader sport industry. The review continues to provide an account of the shifting paradigm from amateur to the business of professional sport. It concludes with determining the similarities and differences between generic and professional sport models.

2.2 THE CONCEPT OF PROFESSIONAL SPORT

“In the framework of what you have been taught, sport business makes no sense” (Wendy Lewis, Vice President, Strategic Planning, Recruitment and Diversity. Major League Baseball, MBA Media and Entertainment, Stern School of Business, New York University (Rosner & Shropshire, 2010).

The business of sport differs from traditional business practices. Any traditional BM could be used to demonstrate the uniqueness of professional sport business. For example, Mercedes-Benz and BMW car manufacturers operate a general BM of selling as many vehicles as possible with the greatest profit margin possible in the motor industry. In the end, these two car companies are competitors who want to sell products. In traditional models of business, there is no interest in cooperating in a manner that allows both companies to be more profitable (in fact it is illegal). Yet the business of professional sport has been different since its beginning (Rosner & Shropshire, 2010).

Unlike in traditional business as above, in almost every sport, competitors have to cooperate for the venture to be profitable. In the early stages of team sports, the hat would be passed around among the fans of the competing teams at a local playing field. A percentage of the take was distributed among the still sweat-drenched and muddy players from the two local competing teams. The person

who organised the competition took a higher percentage. It was always in everyone's interest to have a bigger pie to split. This could be achieved by cooperating to ensure that both sets of supporters attended the match. But even if a sport cooperated to increase the gate receipts through high attendance of fans, teams still competed vigorously in the field of play. It is this competitive-cooperative dichotomy that distinguishes the sport industry from mainstream traditional business (Rosner & Shropshire, 2010). This approach and model are now the standard in all professional sport businesses.

In the business of professional sport, winning at all costs is not allowed at any level, at least when the cost is anything else other than money. Modern professional sport business has well-defined sets of rules and regulations, most of which are grounded in law. For example, even if it could be argued that steroids and dietary supplements can make athletes better players, most sport business enterprises have banned their use. Similarly, profit at all costs is problematic.

As professional sports businesses grew, new players became part of the industry: radio, television, commercial endorsers, licensees, and sponsors. Sport agents and lawyers came into to the picture to pull these deals together. The business went beyond just what happened during the competition. The sport BM was expanding. The primary revenue source was no longer limited to gate receipts from the fans. Professional sport started to be referred to as big business and also as entertainment; as a result, different rules of business and law applied. The stadiums and arenas where teams play have become big parts of the business. Interestingly, public money is often used to build many of these facilities. There are often public battles between the cities bidding to build bigger facilities to host sport business events.

Players too have realised that it is more than just a game. They are unionised in team sports, like many others from working classes in society. As a result, today many highly paid union members in the world are those who are involved in professional sport businesses. Like many other industries, sport business also has social issues uniquely impacting it. A lot of these social issues tend to be addressed more in sport because the business is always under constant public scrutiny. For example, women are still not treated equally in sport. Initially, it was not appropriate for women to participate in sport at all. It was not until 1984 at the Olympics in Los Angeles that women competed in a marathon event. Health, decorum, and the need to be at home were cited as reasons (Rosner & Shropshire, 2010).

Professional sport has become global business in a manner similar to, yet different from, other businesses. On the one hand the concepts of larger markets and cheaper labour can certainly be pointed to. This is an industry where the issues that make the headlines are the sharing of revenues, salary caps, luxury boxes, and the search for the next big corporate sponsor. Most uniquely, this has an extraordinarily level of dependence on selling a product to broadcasters, as opposed to getting customers to purchase the product by walking in (Rosner & Shropshire, 2010).

As in other industries, the bottom line of a sport business enterprise is supremely important. As applied to team sport, there is just a different way of getting there. This is the case even though some individual owners of professional sports teams can afford to lose endless amounts of money, citing reasons ranging from marketing the larger business, to controlling content for the business, to fattening up the business for sale. It is this structure of professional sport that forms the basis of analysis of this study.

2.3 THE PARADIGM SHIFT FROM AMATEUR TO PROFESSIONAL SPORT

It is generally accepted that England in many ways is considered the place where modern professional sport originated. According to Toohey and Veal (2007), England is the country that throughout history has been influential in developing and moulding games and sport into their current professional forms. Maguire, Jarvie, Mansfield, and Bradley (2002) stated that although there is evidence of cultic or play activities, folk games and recreation in the ancient worlds and civilizations of Europe, Asia and South America, modern professional sport, like the steam engine, emerged first in England.

In the views of Elias and Dunning (1986), modern professional sport emerged in England in two main phases. The first phase was characterised by the transformation of a variety of pastimes, which included cricket, fox hunting, horse racing, and boxing, into recognisable modern sport. The second phase took place during the early and mid-nineteenth century. During this period, football, rugby, tennis and track and field began to take on modern professional forms. During the period of the late nineteenth and early twentieth centuries, many of the international and later Global Sporting Organisations (GSOs) also began to emerge, which eventually resulted in the modern-day Olympic Games, the latest of these games being the 2014 Sochi Winter Olympics taking place in Russia. This period is considered to characterise the third phase of the development of modern sport. According to Maguire et al., (2002), the third phase overlapped with a fourth that took place between

the 1920s through to 1960s. They argue that it is this period that saw differential diffusion of English sport forms to continental Europe and to both the formal and informal British Empire. More recently, from the start of the 1980s, the fifth phase began to unfold which is characterised by the emergence of the global sport market in commercial terms. It is this latter phase that this study mostly concentrated on.

According to Gratton et al. (2010), even before First World War, some of the basic ingredients of the global sport market were already in play. Three elements were missing, namely, sports television and broadcasting, sponsorship, and transnational corporations in sport. Gratton et al. (2010) argue that the period from 1914 to the present saw the rapid development of the business of professional sport and the rise in economic significance of the sports market, both nationally for developed countries and internationally. McComb (2004) postulates that it is recognised that the commercialisation of sport has been apparent since the birth of modern professional sport, as the early modern sport promoters of boxing and horse racing, and later ones of baseball and football, learned that people would readily pay to see a performance. Despite such an early start, Gratton et al. (2010) argue that economic or commercial factors did not become dominant in sport until the last quarter of the twentieth century. According to them, it is the development of global sports television and broadcasting and the formation of the sport–media–business nexus that has had a decisive impact on the nature of sport, changing its purpose, way of production, organisation and consumption.

Initial articles written on the subject of the business of sport and economics appeared in the 1950s and 1960s on the labour market for baseball players (Andreff & Symanski, 2006). Their article entitled *The peculiar economics of professional sports* highlighted the fact that applying economics to professional sport required a slightly different type of economic analysis than when applied to other areas. In their work Gratton et al. (2012) state that most of these early articles in the economics and development of the business of sport originated in North America and concerned the four main professional team sports, namely, American football, baseball, ice-hockey and basketball. They continue to claim that even today in North America, sport economics and commerce are still mainly concerned with the economics of professional team sport. In the late 1970s and early 1980s some British and European economists (Sloane, 1971; Bird, 1982; Jennette, 1984) applied the economics of professional team sports in Britain, pointing out the differences with North America. The latter has had an influence on the researcher's study approach. As a result, this particular study aims to apply the Financial Reporting and Analysis Framework, the Harvard Business of Sports Model and

Borland's Economic Model for the Production of Professional Team Sport to the commercialisation of professional football in Europe, and will point out the differences and similarities to professional football in Africa.

According to Humphreys and Ruseski (2009) sport must be clearly distinguished from recreation or exercise because this helps to identify which components of the sport industry are to be measured. Fort (2009) asserts that defining sport for the purposes of eventual measurement and then actually measuring economic activity, sport participation, and sport viewing and listening are very relevant issues. SRSA (2008) defines sport as any activity that requires a significant level of physical involvement in which participants engage in either a structured or unstructured environment for the purpose of declaring a winner, though not solely so; or purely for relaxation, personal satisfaction, physical health, emotional growth and development. Recreation, on the other hand, is defined, also by SRSA (2009), as a guiding process of voluntary participation in any activity which contributes to the improvement of general health, well-being and the skills of both the individual and society. Humphreys and Ruseski (2009) postulate that "participation", regardless of whether it is for elite-level competition or for recreation or exercise, generates economic activity and thus could be included in the measurement of the sport industry. The above definitions focus exclusively on the physical participation side of sport. Dejonghe (2006), on the contrary, points out that a definition of sport, which only focuses on the physical activity of participation, is too narrow for an economic value study of sport.

National Governing Bodies (NGBs), for example the England Football Association, emerged in the nineteenth century to organise newly formalised sport, according to Gratton et al. (2012). As these sports increasingly looked for international competition, the NGBs got together to set up international governing bodies in the various sports. Thus, initially, most of these international governing bodies were the creation of their national equivalents and were controlled by them. According to Gratton et al. (2012), in economic terms, these organisations were voluntary sector non-profit organisations.

GSOs are international organisations that govern sport and related global sporting events. According to Foster and Pope (2004) at least three types of sports organisation that fall into the category of GSOs can be identified. The first type, and the vast majority of organisations, is international governing bodies of sport. For many sports there is one recognised international governing body and this one body is responsible for the development and control of that sport,

including its rules of competition. This control is exercised and maintained via membership, whereby all those who wish to participate in a sport are governed by the rules and conditions of that body (Masterman, 2004). Examples include FIFA, the International Rugby Board (IRB), and the International Cricket Council (ICC). The second type is event-orientated organisations which regularly organise multi-sport games and have a purpose other than sport: for example, the International Olympic Council (IOC). Foster and Pope (2004) argue that these organisations have the ability to shape not only sport culture but also sport economy, its markets, consumers, and producers. Most importantly they are involved in the commercial profit-making and globalisation of sport. The third type refers to function-orientated specialists. These organisations are concerned with technical issues of sport medicine and legal issues in sport: for example, the World Anti-Doping Agency (WADA).

As sport and mega-sporting events such as the Olympic Games and the FIFA World Cup evolved into part of an industry on a global scale driven by professionalisation, commercialisation, and global media, these GSOs are increasingly getting involved in commercialisation and profit-making activities (Gratton et al., 2012). Commercialisation and globalisation, driven by global television media and multinational corporations, have radically transformed the nature of modern professional sport, turning it from an amateur-base playful activity into a serious multi-billion-dollar business and established industry. In the middle of the world financial crisis of 2008, research (Gratton et al., 2012) showed that some US\$29.2 billion worth of sport deals were still completed. This was an extraordinary figure given the worldwide economic situation of that time. In the four years running up to 2010, after its contribution to the costs of the World Cup in South Africa, FIFA made a profit of US\$631million and kept a handsome US\$707million for its own operating expenses, while dispensing US\$794 million to its 208 grateful member football associations, many of them poor and dependent on FIFA.

Professional sports leagues reflect the shift from amateur to professional sport. All professional sport leagues restrict entry, assign exclusive franchise territory, and collude on revenue-sharing formulae. In general, public policy tolerates and allows this collusion (Rosner & Shropshire, 2010). In 1961 the United States of America Congress passed the Sport Television and Broadcasting Act (amended in 1966), which extends the antitrust exemption to negotiating the sale of league television and broadcasting rights (Rosner & Shropshire, 2010).

Sport teams are naturally collusive at some minimal level. A game or a contest is a joint output between at least two competing teams. To produce a contest, the teams must agree on a set of rules governing the contest and on the division of revenue. The limited commercial appeal of a single contest or a series of contests between the same two teams led to the rise of groups of teams formed as leagues. A league is the natural unit of economic organisation and analysis. A club's financial bottom line depends on its performance against clubs of similar quality over a season. Sport fans appear most interested in organised championships with a high calibre of play among the contestants (Rosner & Shropshire, 2010). It is primarily for this reason that the English Premier Football League, the SA Premier Soccer League, Manchester United Football Club and Kaizer Chiefs Football Club were used as units of analysis in this study as they present examples of the commercialisation of sport.

Sport leagues establish constitutional agreements governing the geographical markets of their franchises, conditions of entry and franchise relocation, the market for players, and playing regulations. These agreements, or league operating rules, tend to be privately joint-wealth maximising and collusive (Rosner & Shropshire, 2010). Leagues provide contests with a degree of uncertainty of outcome. A set of rules governing the contest must be formulated and followed by the teams to ensure the orderly outcome of the games. These include uniform rules of play, scoring, scheduling of games, and use of equipment. If all teams within a league were of equal playing strength, the scheduling of contests would not be relevant to the establishment of a champion. When wide variations exist in team quality within a sport, league organisation and scheduling ensure that each competitor engages a similar number of teams in a similar number of contests.

A more compelling economic argument for restrictions on the number of clubs and for exclusive territory in a professional league is that in their absence the quality of the team contests would be lower. Quality of play in a team sport has two dimensions: 1) absolute and 2) relative. The absolute quality of play is its level, and that depends on the quality of the athletic talent fielded. While football and various amateur leagues may be exciting in their own right, the absolute quality of play is lower (Rosner & Shropshire, 2010). If a supply of high-quality talent was readily available, the number of teams in a league would have no effect on the absolute quality of play. Prime athletic talent, however, is scarce and its distribution uneven. Relative playing quality is measured by the dispersion in team standings. A distribution of team standings in which team A always beats B, and team B always beats C, and so on would yield a very large variance in team standings. Such games would not be contests but exhibitions, and there would be little fan interest in the games of such a

league (low competitive balance). On the other hand, if each team had an equal chance of beating the others, then team records would average 50% with small variance due to random factors (high competitive balance). This suggests that there is an optimal degree of uncertainty or variance in team standings that maximises fan interest, revenue, and profits to the club. Greater equality of playing strength and more uncertainty about the outcome of games, up to some level, is wealth maximising. League match attendance is higher when team standings are closer within a league over a season (Rosner & Shropshire, 2010).

The relative playing strength of a professional team depends on the financial strength of the team and the owner. Teams earn revenue from gate tickets/match-day sales, concessions income, sponsorship, and the sale of media broadcasting rights. The main costs for professional teams are player salaries. Teams are located in cities of markedly different sizes, and the ability to field a competitive team is affected by franchise market sizes and the league rules regarding the division of revenue. The long-run, steady-state win percentage of a professional team is that record that maximises profit.

In the United States context, the early years of sport television and broadcasting rights were sold locally. Most clubs sold their rights to a local television station that would package the games. Some clubs bought television airtime and would package the games themselves. It was not until 1954 that the first league-wide packaging of television and broadcasting rights agreement was concluded between the National Basketball Association (NBA) and the National Television and Broadcasting Corporation (NBC TV). Baseball followed next, and finally in 1960, the American National Football League (NFL) and the American Television and Broadcasting Corporation (ABC), and the NFL and the Cable Television and Broadcasting Station signed similar agreements. By pooling their rights, the professional sport leagues eliminated interclub competition in their sale and increased their share of the rents relative to the network's share. Leagues began to shop around TV networks for the best deals, and because broadcast rights are very valuable each network increased its offer in each successive round of negotiation. Television increased the dispersion in professional club revenues, and to the extent that financial inequality promotes inequality on the playing field, it increased further the gap between wins and losses among professional clubs. Television appears to increase the demand for attendance at games, and thus indirectly increases gate receipts. Other unintended consequences have been the effect of television on building team recognition and brand loyalty among the fans.

Professional teams have historically been invested in the bargaining rights with players. All professional leagues established collusive agreements that governed the selection, contractual agreements, and distribution of players between teams. This resulted in team owners paying less than the player's incremental contribution to the club revenue. Substantial reforms in the market for players have improved player-initiated movement substantially, but there is by no means an open and competitive market for player services (Rosner & Shropshire, 2010). Owners have always claimed that restrictions on player movement were necessary to maintain a competitive balance and to protect franchise values. However, economists have always been sceptical of the motives and of the evidence.

The evolution from an old traditional commercial model to a new contemporary commercial model is, in the first analysis, a shift from a focus on quantitative variables to an emphasis on qualitative variables. When the objective is to maximise gate receipts, clubs rely on influencing fairly simple decision variables in the old model, such as improving attendance density by spectators, attracting a larger group of season-ticket holders, and increasing the number of games by qualification for domestic and European Cup events. This is so because ticket prices cannot be raised too much without affecting attendance. A strategy of decreasing prices to attract more spectators has not proved to be successful, due to low price elasticity for sporting events (Andreff, 1981; Andreff & Szymanski, 2006).

Qualitative variables such as stadium comfort and access to the stadium and parking appear to influence attendance more than ticket prices. If a municipality owns a stadium, the club must negotiate a subsidy to improve the facility, and if the club owns the stadium it must engage in an investment strategy to be financed in the capital market (Andreff & Szymanski, 2006). The latter case is facilitated through the new viable commercial model. This new model rests more on price and quality variables than on a quantitative approach to the management of a professional football club.

Television contracts attract sponsors who inflate revenues to the stations and thus justify more generous rights fees to the club or league. This amount is a function of the broadcast market (Bourg & Gougnet, 1998). For instance, in the case of a supply monopoly of a professional football league selling its events to several competing television channels, broadcast rights fees are far higher than in the case of a monopsony by a single channel negotiating rights with several competing leagues or clubs (Gratton et al., 2010). The latter situation applied to all professional sports in Europe until

the early 1980's under the old commercial model. The entry of entrepreneurs and corporate managers into the market has made the value of assets a strategic variable. Under the new commercial model the club seeks to maximise its return not only from the stadium but also from television, merchandising, and capital markets (Gratton et al., 2010).

While there is widespread adoption of the contemporary commercial model, especially as professional football continues to grow in Africa, it is not without its problems. One such problem that has also appeared in American baseball is that of domination by the rich clubs. In Europe the outcomes of games, especially in the major sport of professional football, are increasingly determined by the financial capacity of clubs. In the absence of a player draft as in United States professional sport, the wealthiest clubs can skim off the exceptionally talented players so as to become even more competitive. They then earn more money, which in turn enables recruitment of even more top players. These powerful clubs have a higher probability of qualifying for and winning European Cup events. The European super-league was one such attempt to institutionalise the domination of the wealthiest clubs, allowing the others to more realistically compete for prestigious national events, according to Andreff et al., (2002). A second problem, which has also cropped up in Europe and in the United States, is that of television taking greater control of events to maximise exposure. There has been discussion, for instance, of changing a European football game into four quarters rather than two half-times (Gratton et al., 2010). Another issue is what appears to be growing corruption in European professional sports, especially football. These are particularly relevant as most professional clubs lack accountability in the governance of their affairs and are often accused of corruption (Lee, 2005). There have also been increased revelations of doping by football players in order to enhance performance and relieve the fatigue from playing two or three matches a week. Fixing the outcome of a 1994 football game sent Bernard Tapie of the Olympique de Marseille club to jail for eight months. In 1996 a football referee from Switzerland was accused of corruption for proposing an "arrangement" to Grasshopper Zurich before one of its matches.

These examples appear to be only the tip of the iceberg, suggesting that the new commercial sport BM has gone adrift and that more regulation should come from government. Europeans discovered the downside of big-money sport. The rich get richer and the purity of the institutional arrangements and the games themselves may be sullied. The trade-off, of course, is that fans receive more games, fancier stadiums, greater exposure to television, and enhanced merchandise amenities associated with team identification. There are, nonetheless, traditionalists who resist the internationalisation of sport and would like to return to the old days of local control and involvement by genteel sportsmen.

2.4 TRENDS IN THE GLOBAL SPORT INDUSTRY

2.4.1 Size of the global sport market

Sport has become big business globally. According to PwC (2013), in 2012 global sport was estimated to be growing at 3.8% from US\$114 billion in 2009 to US\$133 billion in 2013. This report by PwC states that at regional level, the North American sports market is leading the world at 3.6% growth, from US\$55 billion in 2009 to US\$63.3 billion in 2013. This is followed by Europe, the Middle East and Africa (EMEA) region, which experienced 4.1% growth from US\$39.4 billion in 2009 to US\$46.3 billion in 2013. Latin America showed a 4.3% growth, from US\$2.6 billion in 2009 to US\$3.1 billion in 2013, while Asia Pacific reported a 3.9% growth, from US\$17.3 billion in 2009 to US\$20.2 billion in 2013.

It is worth noting that Africa accounts for less than 5% of the global sports market, and as result it is grouped together with Europe. This is an indication that Africa still lags behind Europe and North America in terms of the scale and size of its sport industry. This is also true when one compares economic indicators for both regions. In this regard Andreff (2001) notes that the less the developed a continent and country is, the lower its sports performance.

2.4.2 Revenue trends in professional sport in Europe

Gate revenue

According to (PwC, 2013), Europe is the second-largest region, with US\$ 42.8 billion or 35.3% of the total monetary value of the global sport industry. Gate revenues are the largest segment, accounting for 38.6%. Sponsorship is the fastest-growing segment at 5.3%. Within EMEA, the Middle East and Africa are experiencing the fastest growth of all regions at 6.8%. If mega-events are excluded from the analysis, the global growth rate is 4.7%, and although Europe remains the slowest-growing region, the underlying rate is 4.6%, which is much closer to the global rate of 4.7% and to North America, which is also 4.7%. Both the Middle East and Africa are experiencing a higher rate of growth but it is from a significantly low base.

Gate revenues account for 32.6% of the total sports industry market. In Europe gate revenues are key sources of income in the sports regions where live events are part of the culture. In all, 82% of total gate revenues of the sports industry are generated from North America and Europe. However, gate revenues represent a mature market, which will see the lowest growth across all segments of

the sports market, achieving just 2.5% on average. Growth rates in Europe are even lower, if considered as a compound growth rate, which partly reflects the fluctuations of major events, since there are considerable peaks in 2012 and 2014 which reflect the major sporting events. However, gate revenues remain the largest single source of revenue at 38.6% in Europe. Gate revenues, while important in certain markets, are growing less quickly than in the past. Value for money is key for all but the very top events – both in terms of pricing and providing added-value entertainment. The reason the gate revenue is declining is a rapid increase of both television and sponsorship rights.

The economic downturn in 2010 had an adverse effect on professional sport gate revenues in Europe, with gate revenues for on going events falling by 1.8% in 2009 and an additional 1.0%. With economic conditions remaining uncertain, the researcher does not expect significant growth in the short term. Nevertheless, interest in sports remains high and there are signs that the gate revenue market is turning around.

Sponsorship rights

Football has a dominant share of sport sponsorship deals by number, with the Olympics, motorsport and American football equally strong. Sponsorship is likely to be of increasing importance to most sport organisations and major events over the coming years. As sponsorship becomes more important both for the sponsor and the sport body, the need for accurate measurement will increase. Meanwhile in Europe, the proposed legalisation of online betting in Germany may open up further opportunities for sport sponsorship. Going forward, football sponsorship in Europe will be further affected by the financial fair play rules, which will require a focus on defining value. To comply with the rules, related parties will only be allowed to sponsor a club if they can demonstrate the fair value of the deal. Manchester City Football Club's estimated £400 million 10-year sponsorship deal with Etihad Airways for both the club's shirt and stadium is likely to come under scrutiny from the Union of European Football Associations (UEFA), because of the Abu Dhabi links of both parties. More generally, the rising importance of establishing value and demonstrating returns from sponsorship for both sides will intensify the demand for accurate and auditable measurement of results (PwC, 2013).

Media and television

According to PwC (2013), Europe accounts for the largest proportion of the total global sport media market, followed by North America. The fastest growth rates, however, are projected to be in Latin America (5.6%) and North America (5.3%). Media rights in professional sport are the largest single source of revenue in Latin America at 38.3% of the total. One of the most powerful and consistent

forces driving the media rights market is technology, which continues to advance at a dramatic pace. The men's and ladies' finals of the 2011 Wimbledon Championships were the first time that the British Television and Broadcasting Corporation broadcast live 3D sports coverage. In the United Kingdom (UK), Sky Sports routinely broadcasts sports such as football and rugby in 3D. Meanwhile, Japan's ultimately unsuccessful bid to host the 2022 FIFA World Cup involved a plan to project 3D holograms of the games live onto football fields worldwide. Ongoing technological innovation and expansion across multiple platforms will continue to be used to maximise engagement and put the viewer "inside" the sport. In an increasingly digital world, a major challenge for rights holders is to retain control over how, where and by whom sport content is consumed, so that this content can be monetised.

2.4.3 Revenue trends of professional sport in Africa

As stated previously, Africa's monetary contribution to global sport does not have a category on its own as a unit of analysis. Africa falls under the Europe, Middle East, and Africa (EMEA) as it is too small to analyse on its own. This can be taken as an indication that Africa still lags behind the world in terms of effective commercialisation of professional team sport. Data on sport commercialisation in Africa are only available in South Africa, Nigeria, and Kenya, with South Africa having the best available data sets and records (PwC, 2013). South Africa, and particularly professional football, also contributes the lion's share to sport revenue in Africa. It is for this important reason that only a professional football league (PSL) and a club (Kaizer Chiefs) from South Africa are analysed in this study. In essence, given the size and value of these organisations, South African professional football is used as a proxy to represent African professional football. Africa as a region contributes less than 5% of the global sport value (PwC, 2013). Among other reasons for this obvious failure is the lack of specifics for the management of professional football clubs in Africa.

SRSA estimates the value of all sports in South Africa to be about R41 billion. At the same time the PwC Outlook for Global Sports Market for 2013–2017 states that revenues associated with the FIFA World Cup in 2010 decreased significantly in South Africa in 2011, leading to a 42.6% decrease in sport spending overall. Revenue generated from total sports spending in the African market, however, will be R19.5 billion in 2017, up from R13.9 billion in 2012, a compounded growth rate of 7.1%. This growth will be driven primarily by increased revenue from media rights and sponsorships around major sporting events and professional football clubs in South Africa (PwC, 2013).

According to the PwC report, gate revenue will continue to increase steadily till 2017, rising from R4.1 billion in 2012 to R5.0 billion in 2017, a compounded growth rate of 4.1%. Revenue from media rights is set to grow at a significant rate throughout period, rising from R2.5 billion in 2012 to R4.3 billion in 2017, a compounded growth rate of 12.0%, although in the short term they will also continue to lag behind the revenues generated in 2010 around the FIFA World Cup. The South African Broadcasting Corporation (SABC) and Super Sport are the two primary contributors to local media rights revenue in South Africa.

Sport sponsorship in Africa continues to grow at an estimated compounded growth rate of 9.5% in the next five years, rising from R4.6 billion in 2012 to R7.3 billion in 2017. By 2015, revenues will exceed those generated during the FIFA World Cup in 2010. South Africa has benefitted from the fact that many of its sports are broadcast internationally, meaning that brands have the potential to reach a wider audience.

Merchandising

Merchandising is expected to remain the smallest sport sub-segment. It generated R614 million in 2012 and this is forecast to rise to R657.2 million in 2017, a compounded growth rate of 1.4% (PwC, 2013). According to PwC (2013), the Nigerian sport industry will generate estimated revenues of R5.9 billion in 2017, up from R3.6 billion in 2012, a compounded growth of 10%. This growth can be attributed to factors such as improving economic conditions and an increase in household and mobile broadband penetration.

PwC (2013) speculates that Kenya's sport industry will generate revenues of R1.2 billion in 2017, up from R650 million in 2012, representing a compounded of 13.7%. This growth will come as a result of improving economic conditions and a subsequent increase in mobile and household broadband penetration.

2.5 GENERIC BUSINESS MODELS AND SPORT BUSINESS MODELS

The conceptual framework for this study is grounded in an analysis of two generic BMs, the Harvard Business Model of Professional Sport and Borland's (Borland and McDonald, 2003) Economic Model of the Production of Professional Team Sport. These three concepts are discussed in the following paragraphs.

2.5.1 Elements of a generic business model

According to Osterwalder and Pigneur (2002), the term “business model” refers to a conceptual tool that contains a set of elements and their relationships and allows expression of the business logic of a specific firm. Slywotzky (1995) labels this “business design” and defines it as the totality of how a company selects its customers, defines and differentiates its offerings, defines the tasks it will perform itself and those it will outsource, configures its resources, goes to market, creates utility for customers, and captures profit. This definition illustrates that when people speak about BMs they really only mean parts of them. By using a theoretical and generic framework to describe BMs, one can easily capture, understand, share, observe over time, and maybe even measure and simulate BMs (Osterwalder & Pigneur, 2002). Magretta (2002) concludes that a successful BM represents a better way of structuring business in an organisation than existing alternatives. It may offer more value to a discrete group of customers, completely replace the old way of doing things and could become the standard for the next generation of entrepreneurs to beat. Creating a BM is, then, like writing a new story. At some level, all new stories are variations on old ones, reworking of the universal themes underlying all human experience. Similarly, all new BMs are variations on the generic value chain underlying all businesses (Magretta, 2002). A Business Model Framework is a generic model with which companies can express the business logic of their firm or even of their competitors.

The framework in Table 1 reflects a generic that shows business categories and elements needed to express the business logic of a particular organisation according to Osterwald and Pigneur, (2002).

TABLE 1: Generic Business Model Framework (Osterwalder & Pigneur, 2002)

BUSINESS CATEGORY	BUSINESS ELEMENT
<p>Value proposition</p> <p>Covers all aspects of what a firm offers its customers.</p>	<p>Life cycle Value level Price level Categorisation</p>
<p>Customer management</p> <p>Covers all customer-related aspects.</p>	<p>Target customer Customer relationship</p>
<p>Infrastructure management</p> <p>Covers all elements related to the configuration of activities and resources between the firm and its partners in order to create value and reach the customer.</p>	<p>Capabilities and resources Value configuration Partnership</p>
<p>Financial aspects</p> <p>This means that the revenue model and the costs have to be balanced in order to make a profit possible.</p>	<p>Revenue model Cost structure</p>

The above generic BM framework allows an organisation to seize the logic of its business as it captures the different elements of its business organisation in a more formal way. By doing this an organisation will better understand its business, will be able to share this understanding among stakeholders, can easily observe and evaluate its BM over time, can better define a range of indicators to follow and can create a portfolio of scenarios it might want to pursue in the future (Osterwalder & Pigneur, 2002).

The generic business categories as reflected in the generic BM framework should be applicable to a specific business context such as the business of sport. The business of sport, however, has unique characteristics that distinguish it from general business. The scope of the business of sport could be categorised in some elements of the categories reflected in the generic BM. A BM in the context of professional sport would, however, have to accommodate the unique characteristics of the business of sport. Even though a generic BM provides a platform for the logic of the business of sport, there are unique characteristics that have to be accommodated in a BM specific to professional sport. It therefore becomes necessary to analyse and compare the Harvard Business of Sport Model and the Borland's Economic Production Model of Professional Sport Teams.

2.5.2 The Harvard Business of Sport Model

The business of sport has become a pervasive element in the economy and society. Sport has moved from the sport pages to business pages and sometimes front pages, due to its increasing importance. The treatment of sport as a global business can be seen in the growth and commercialisation of mega sport business events such as the Olympic Games and the FIFA World Cup (Foster et al., 2006). Along with new challenges for management within this changing and more complex sport business environment, effective management in the sport industry calls for a BM addressing the traditional needs to attract sport fans, broadcast audiences, sponsors, and to market sport merchandise that consumers demand.

The Harvard Business of Sport Model was developed to address the complexity and the uniqueness of the business of sport. The Harvard Business of Sport Model consists of four principal components: 1) Competition (the game), 2) Incremental revenue sources (beyond gate tickets), 3) Other key elements (such as athletic equipment and fantasy leagues), and 4) Fans (as the foundation of the business of sport and the principal support for the system). It is a marketing-based model, reflecting the key role that marketing, promotion, and selling play in the sports business landscape (Foster et al., 2006).

Table 2 presents an overview of the components and business elements of the Harvard Business of Sport Model.

TABLE 2: Harvard Business of Sport Model (Foster et al., 2006)

COMPONENT	BUSINESS ELEMENTS
1 Competition (the game)	<ul style="list-style-type: none"> • Leagues • Teams • Events • Players • Intercollegiate/University Sport
2 Incremental revenue Sources	<ul style="list-style-type: none"> • Television and broadcasting • Sponsorship • In-stadium revenue • Stores • Licenced merchandise/equipment • Publications/videos
3 Fans	<ul style="list-style-type: none"> • Fans and supporters
4 Other key elements	<ul style="list-style-type: none"> • Mega- industry athletic equipment • Major branded suppliers such as Nike • Additional to this element are fantasy leagues, sport camps, and sport academies • Sport-based publications

Component 1: Competition (“the game”). There are five major elements in this component working together to generate business activity. According to the model, the economic success of sport undoubtedly depends on competition. Without effective competition, the opportunity for truly significant revenue will be under-fulfilled. Thus, the elements that create and sustain competition need to be aligned and are cardinal to its success. This creates fan support and increased revenue (Foster et al., 2006). Competition is divided further into five elements, namely leagues, teams, events, players and university sport. These five elements are clarified in more detail in subsequent paragraphs.

Leagues are primary organising entities in professional sport and provide the business partnerships that connect its teams and conduct competition. Leagues create value through their sport and/or develop popularity with fans, through apparel of its players, as well as via marketing partnerships with broadcasters and sponsors.

Teams are the heart of the competition for fans and owners of professional teams. Marketing-driven team management typically employs broadcast partners and team sponsors to stimulate fandom and generate meaningful revenues. Teams also engage in other business activities to increase revenue, such as team retail outlets and local radio and broadcast deals.

Events Some of the biggest and most well-known sports competitions are not conducted in traditional leagues, but are independently organised activities on a global scale: for example, the quadrennial Olympic Games and World Cup competitions.

Players (management firms, players associations, agents): There is no competition without players. Players' agents and associations typically accompany players. Fans buy tickets to see the players perform, not the owners.

University sport: Despite the fact that university sports are amateur leagues in so far as athletes are concerned, university sports are truly big business. There is wide agreement that relatively few individual university sports make money. Off-the-field revenue is, however, substantial and growing, especially television rights fees. An example of this in the South African context is the Varsity Sport competition. Introduced five years ago with R5 million per year from sponsorship, it is estimated to be worth R50 million today.

Component 2: Incremental revenue sources. Six major incremental revenue sources are identified in the Harvard Business of Sport Model.

Television and broadcasting: Television and broadcasting revenues have become huge and vital sources of income for professional sport leagues, teams, and events. Multi-year, multi-million dollar rights fees are a key budget component for professional sport leagues. Rights fees are a major contributor, both as financial support and in providing partners that promote the sponsor and its telecast with their own resources, principally promotional announcements.

The magnitude and scope of **sponsorship** is a relatively recent phenomenon in sport, yet it has deep roots. The first formal university sport competition in the United States – a crew race between Harvard and Yale on Lake Winnepesaukee in 1852 – was a sponsored event. The scope of sponsorship extends across the sports landscape. In essence, sponsorship is a pool of other

people's money supporting sport entities, providing partners that then spend additional money to promote themselves.

In-stadium: Another significant source of incremental revenue, in some instances potentially very large, comes from sport stadiums and arenas. This revenue stream encompasses venue naming rights, luxury boxes, personal seat licenses, traditional concessions and parking income.

Stores: Sporting goods retailers represent an important element of the business of sport. Sport retailers sell equipment and licensed merchandise items through branded retail outlets related to professional sport teams. In rugby for example, the Blue Bulls, a Pretoria-based professional sport team, have a store at the stadium where fans and supporters can buy branded merchandise.

Licensed merchandise/equipment: When fans buy it for themselves or as a gift, wear, use, and/or display licensed merchandise of professional sport teams, they are in essence extending fandom. Through these acts, fans are not only expanding a relationship with the sport, league, or teams, but also contributing financially.

Publications/videos: Sport publications and videos offer fans another way to bring their fandom home. Leagues and teams publish everything from their histories to yearbooks to regular in-season magazines. Whether published by leagues or teams, these items often occupy visible space in the homes of fans.

Component 3: Fans and supporters. Fans are the foundation of the business of sport. Fans support teams with their presence at games, eyeballs watching, wallets for tickets, time, hearts, and emotions. Building and maintaining a base of committed fans through relationship marketing produces revenue.

Component 4: Other key elements. These are elements necessary to make professional sport work and produce competition. They include mega-industry athletic equipment and major branded suppliers such as Nike, fantasy leagues (virtual leagues), sport camps, sport academies and sport-based publications.

2.5.3 Borland's Economic Production Model of Professional Sport Teams

Borland's Economic Production Model of Professional Sport Teams presents another example of a BM dedicated to the context of professional sport. Borland and McDonald (2003) agree that the basic building block or component of professional team sport is competition between two teams. This competition is broken down into four pillars, namely: 1) availability of eligible players; 2) clubs to organise the players; 3) leagues to organise the competition, and 4) a stadium or facility where the competition takes place. Borland and McDonald (2003) explain that in addition to competition as seminal component, there are other key components in the professional sport production model, namely suppliers of labour (junior leagues, university sport), consumers of sporting competitions (fans) who attend competitions, viewers who watch the competition on television, Internet or radio, and the competition itself as an input to other commodities such as television, radio, Internet, and the government impact of regulatory framework for competition in the economy and sporting competition.

In Table 3 an overview of Borland's Economic Production Model of Professional Sport Teams is presented. Components and elements are then clarified in more detail.

TABLE 3: Borland’s Economic Production Model of Professional Sport Teams (Andreff et. al., (2006)

COMPONENTS	ELEMENTS
COMPETITION STRUCTURE	<ul style="list-style-type: none"> • Playing rules for the contest (size of playing field and how winner is decided) • The organisation of the competition (home/away, elimination/tournament format, finals/playoffs)
LEAGUE STRUCTURE	<ul style="list-style-type: none"> • Composition of the league (number, geography, stadium capacity) • Organisation of the league (single or multiple divisions; promotion/relegation between leagues)
COMMERCIAL MODEL	<ul style="list-style-type: none"> • Match-day revenue (ticket price single/season tickets, hospitality) • Media and broadcast rights revenue (radio, TV, Internet)–centralised/decentralised (team-specific) • Negotiation of rights • Sponsorship (centralised/decentralised and sponsor types) • Merchandise (centralised/decentralised sale of merchandise) • Revenue allocation from media and broadcast rights
LABOUR MARKET STRUCTURE	<ul style="list-style-type: none"> • Player assignment to teams • Methods of allocating new players between teams • Player payment and wage determination (role of unions, salary caps, periodicity of wage setting) • Maximum size of player lists
CAPITAL MARKET STRUCTURE	<ul style="list-style-type: none"> • Ownership structure (private or league-owned)
GOVERNANCE	<ul style="list-style-type: none"> • Manner in which rules and policies are decided and enforced

Component 1: Competition structure

The structure of the professional sporting competitions, according to Borland and McDonald (2003), is divided into the structure of the product market; structure of the labour market; structure of the capital market; and governance of the professional sporting competition.

Borland and McDonald (2003) suggest that there are two factors that need to be taken into account when exploring the structure of professional sport competition. Objectives for players, clubs and leagues will determine the manner in which clubs interact with players and among themselves, and how different leagues will compete for the fans’ interest. For example, teams that have profit maximisation as an objective will seek to influence the evolution of their league in a way that creates the highest possible level of profit by seeking a league regulatory structure that minimises players’

bargaining power and wages. The second factor focuses on the nature of the consumers' (fans') interest in sport. The evolution of professional sport production is about maintaining or increasing fan interest, and by improving the competitive balance and or the quality of play in the competition.

Component 2: League structure

This component deals with the composition of the league such as the numbers, geography, and stadium capacity, organisation of the league into single or multiple divisions and promotion or relegation between leagues. The objectives of the league determine the manner in which clubs interact with players and among themselves, and also how different leagues compete for fans' interest. For example, teams that have profit maximisation as an objective will seek to influence the evolution of their league in a way that creates the highest possible level of profits by seeking a league regulatory structure that minimises players' bargaining power and wages (see labour market structure)

Component 3: Commercial model

This component is probably the most critical one and it refers to 1) match-day revenue such as ticket prices for single matches or season tickets, including hospitality; 2) media and broadcast rights revenue including radio, television and Internet and whether they have a centralised or decentralised team-specific negotiation of rights; 3) sponsorship and whether it is negotiated in a centralised or decentralised manner, as well as sponsor types; and 4) centralised or decentralised sale of merchandise.

Component 4: Labour market structure

Teams that have profit maximisation as an objective will seek to influence the evolution of their league in a way that creates the highest possible level of profits by seeking a league regulatory structure that minimises players' bargaining power and wages.

Component 5: Capital markets structure

Sport club structures evolve over time and develop differently from one jurisdiction to the next, influenced by country-specific economic, social and political factors. The ownership structure can be privately or league-owned.

Component 6: Governance

This component refers to the manner in which rules and policies are decided and enforced. While it is predicted that highly regulated North American sport competitions should be more successful than low-regulated European competitions, it is not always very obvious that this is the case.

Regulatory structures in North America do not affect competitive balance; in fact, they have improved it. According to Andreff et. al. (2006) empirical evidence on a variety of dimensions suggests that sporting competitive balance is greater in North America than in Europe due to regulatory and governance structures.

For the purpose of this research study's comparative analysis, the researcher used the Economic Modelling Framework developed by Borland and Mcdonald (2003) as one of the approaches to analysing results in Chapter 5.

2.6 SIMILARITIES AND DIFFERENCES BETWEEN SPORT BUSINESS MODELS AND A GENERIC BUSINESS MODEL

In 2.5.1, 2.5.2 and 2.5.3 the components and elements of a generic BM, the Harvard Business of Sport Model and Borland's Economic Production Model of Professional Sport Teams were presented and clarified. In Table 4 the similarities and differences between the models are summarised.

TABLE 4: Similarities and Differences between professional sport business models and

generic business model

SIMILARITIES	DIFFERENCES
Competition for profits	Competition-cooperative dichotomy: Cooperation between competitions in league
Unionized labour practices	Winning at all cost (Profit)
Products impact social issues	Business goes beyond what is happening on “The field”
Structured into business components and business elements	Salary caps
Financial bottom line is important	Sponsors needed to conduct business
Commercial revenue generation is the nexus Of both models	Selling of television and broadcasting rights
Value Proposition	Gate revenue is significant element
	Governance structures
	Sport business is also entertainment
	Public money often used to construct places where product is produced
	Sharing of revenues between governance Structures
	Fans versus customers

2.7 CHAPTER CONCLUSION

In this chapter, components and elements of two models of the business of sport, as well as the components and elements of a generic BM, were analysed and contrasted. Sport business trends in Europe and Africa were presented and analysed. These trends are further analysed and explored in Chapter Three, as they provide a basis for comparative analysis of professional football at continental level. A generic business model and two sport business were analysed and compared to

identify and understand similarities and differences between sport business and generic business practices. Chapter Three aims to contextualise the business of professional football in Europe and Africa to establish a theoretical understanding of the business of professional football and to achieve Objectives One and Two set for this study.

CHAPTER THREE

THE BUSINESS OF PROFESSIONAL FOOTBALL

3.1 INTRODUCTION

This chapter analyses the professional football business and economic models in Europe and Africa. Most of the literature discussed focuses on English professional football as the stated unit of analysis, although other European leagues are included in the review. The issue of whether African professional football has a BM is also explored, and a study of South African Premier Soccer League is used as unit of analysis. Sloane's (1969, 1971) analyses of the professional football players' labour market and the football team as a firm are widely acknowledged as the first contribution to the economics and business of professional football models. Recently there has been a revival of interest in some of the issues originally raised by Sloane concerning team objectives, resource allocation and competitive balance. Over the last three decades since Sloane's research, however, the literature has followed a predominantly empirical path, concentrating mainly on the estimation of spectator demand functions based on attendance data. To analyse key components and elements of the BMs in professional football, the researcher first contextualises professional football in the categories of generic and sport BMs as discussed in Chapter Two. Subsequently, selected professional football models in Europe and the England are analysed and compared to uncover similarities and differences and implications for professional football in Africa (Objective Two).

3.2 DRIVERS OF GENERIC AND SPORT BUSINESS MODELS

In Chapter Two components and elements of BMs were explored from a generic as well as a sport business perspective. Osterwald and Pigneur (2002) identified five generic business components, namely 1) value proposition; 2) customer management; 3) infrastructure management; 4) financial aspects; and 5) other key issues. In their Harvard Sport Business Model, Foster et al. (2006) identified 1) competition; 2) incremental revenue sources; 3) fans; and 4) other key elements as the components generating sport business. The Borland Economic Production Model of Professional Sports Teams (Andreff et. al., 2006) in turn has 1) competition structure; 2) league structure; 3) commercial model; 4) labour market structure; 5) capital market structure; and 6) governance. In order to provide another layer of analysis of the business of sport, the practice of professional football is categorised according to the identified drivers of business mentioned above.

3.3 PROFESSIONAL BUSINESS MODELS OF FOOTBALL

A value network such as a professional football league creates value proposition as it coordinates competition between competing professional football clubs. Playing football could not be possible without leagues organising a championship series, but a championship series adds value to the games, as the best team is rewarded with the championship title. A championship series becomes more attractive to spectators as part of customer management than a single friendly game, due to the chance of winning the championship title and the threat of losing and being relegated.

A primary activity of a professional football league is the selection of participants to compete in a championship series (infrastructure management in the generic BM). The network promotion of a professional football league requires the identification of teams who are able to fulfil the criteria of the championship series. The attractiveness of a professional football league depends on the balanced performance of the participating teams and on the number of participating top teams. Obviously, 100 teams are too many and two teams are not enough for an interesting championship series. Hence, another value-creating activity is to determine how many teams should compete in a professional football league. Besides signing up members for the championship series, terminating memberships also constitutes a key value activity for a professional football league. The league has to make sure that, for example, football clubs with financial problems do not harm the league's financial aspects in the generic BM, if they have to resign during the season due to a lack of funding. It becomes the responsibility of the league organiser to verify the financial funding of each participating club. Furthermore, the league has to relegate some teams that do not meet the performance requirements to ensure high-level matches. Thus, if the league terminates the membership of a club, the league usually protects the value of the championship series as a whole. Examples of service provisioning as a business element of professional football leagues are the organisation of weekly tournaments and the settlement of entrance and television and broadcasting fees. The league fixes the schedule for the championship series, consisting of fixtures, dates and times.

Infrastructure management of a professional football league mainly deals with rules and regulations for the championship series. In some countries, for example, transfer of players is supposed to guarantee the competitive balance between the teams. In other countries, salary caps and draft systems are installed for similar reasons. Furthermore, to make the football competition more attractive in relation to other sports, the points system for football tournaments was changed some years ago. For a win, three points are now awarded instead of two to motivate the teams to play

more offensively. Developing the rules for the games, organising relegation or penalising athletes and teams for violating the rules are other examples of infrastructure management and operations. All these activities aim at maintaining or increasing the value of the professional football championship series.

Strategic options of a professional football league include horizontal and/or vertical integration. A football league usually forms the national top level of football (according to the Harvard Business Model “structure”). Vertical backward integration refers to incorporating lower-level football series. In South Africa, each local football club is a member of South African Football Association (SAFA), which in turn owns the PSL organisation. This system provides an example of vertical backward integration. Vertical forward integration of a national professional football league is usually reflected by membership of FIFA. Hence, most national professional football leagues are vertically integrated in one or the other way and the international organisation (e.g. FIFA) makes the national series more attractive. The advantage of vertical backward integration of national professional football leagues is the offered incentive for lower-level clubs, as they have the opportunity to reach the top level. Vertical backward integration allows lower-level clubs to reach the top level, if they perform well. Furthermore, vertical backward integration is a threat for top-level teams, because of relegation. The threat of relegation will push these teams to work hard to stay in the premier league. Vertical backward integration thus helps to ensure a high level of performance at both the top and the lower levels. The same argument applies to vertical forward integration, as the national top teams will work as hard to participate in international tournaments, as local teams do to participate in the national series.

Vertical integration in both directions, however, seems to be a promising strategy option for national football leagues. With horizontal integration, the situation seems to be slightly different. If football is a popular national sport, the customer base is huge. Attractive teams should be available to participate in the championship series as well as a large number of interested spectators. Horizontal integration in other sports like tennis or baseball does not seem to provide additional value for teams or for spectators. The situation could be different for sports with a lower popularity. If attractive teams are rare, and if customers are not particularly interested in a certain type of sport, horizontal integration of different sports might be advantageous as tournaments of several sports are arranged parallel, on the same date in the same place; for example, the Olympic Games or Commonwealth Games. In doing so, horizontal integration can increase the value of the network for teams and athletes as well as spectators as the variety of offered sports increases.

Applying the value chain for a football match is another modification of the BM. Spectators do not know in advance whether the match will meet their expectations. Therefore, building up reputation is necessary to be successful in the market. But reputation is not part of the generic model of business, although it is relevant for the sale of sport events. If a football club is famous for good performance, the uncertainty about the quality of the game is reduced and the spectators might be more likely to attend the game. Building up reputation is the first activity to create economic value in sport organisations and the reputation of both the home and the away team should be a part of the value creation model for football matches. Marketing and sales of a football match rely on the reputations and take place before the beginning of the match (infrastructure management, according to the generic BM). Hence, marketing and sales have to be moved to the second position in the value chain for the football match. Inbound logistics and the arrival of competitors and spectators have to be organised when the tickets are sold. The production of a match takes place after marketing/sales and inbound logistics are done. When the match is finished, the departure of competitors and spectators has to be managed, the arena has to be cleaned, and so on. After a match the organiser provides many services such as interviews, comments, and video clips. Hence, for a football match, the structure of the value chain model still works, although the primary activities have a different content and order.

Of course, a single football team cannot make a match by itself. In the sport industry, cooperation between competitors is necessary to arrange a match. Hence, for a football match, the value chains of two competing teams are linked with each other, at least at the activity level.

The modifications of the value chain demonstrate the flexibility of the concept. The underlying value creation logic is never changed: only the order and the content of the value activities are modified. In addition, it might be necessary to sometimes add single-value activities or to link value chains.

The theoretical considerations from the generic and professional sport BMs discussed above lead to the conclusion that the professional football BM contains similar variables to the generic BMs. In addition, the professional football BM has unique features, such as reputation management, and puts more emphasis on sales and marketing (infrastructure) and financial aspects than a generic BM does. Whether a generic BM, Harvard Business of Sport Model, or Borland's Economic Production of Professional Team Sport Model, is used for a value analysis depends on the value creation logic of the professional sport organisation in focus. The value shop in particular shows the importance of reputation for some sport organisations. The value proposition points out the importance of

horizontal and vertical integration. In addition it is better suited to analysing professional football business, especially the financial aspects that have influenced the sport significantly in the last 10 years in particular.

It could be argued that the impression is created that distinct BMs appear as alternatives for sport organisations and that a sport organisation can only create value according to one of the models. BMs, however, have to be seen as flexible sets of variables. Variables from different BMs can be combined to suit the needs and business contexts of a particular organisation. A specific professional sport organisation will seldom operate according to just one BM, but could reflect elements of all three models discussed. A professional football club is such an example. The match against a competitor can be organised like a value proposition, as described above. The teams, the spectators, beverages and food have to be carried to the arena. The production takes place in a similar way every week. But the training of the athletes will be organised according to the Harvard Business Model of Sport. Coaches work together with athletes to solve individual problems. Still, the matches can also represent Borland's Economic Production Model of Professional Team Sports. The clubs offer a platform (the match) for people to meet each other. VIP lounges and advertising in the arena are just two example of getting in contact. In this sense, the game is a value proposition. Thus, it is important to bear in mind the perspective of a value creation analysis. If the organisation of the game is in focus, a value proposition will be more appropriate. If the training of athletes should be analysed, the Harvard model will most suitable. If the attendance of spectators is in focus, both Harvard and Borland's will be the models for the value creation analysis. Still, a single BM can be the dominating BM for certain organisations depending on the objective of the organisation.

Given the analysis above it is argued that a combination of the Generic Business Model Framework and the Harvard Business Model of Sport represents the best combination to use as a basis of analysis for the study, as both models capture variables that are similar and unique to professional football business. This combination of variables is presented below.

1 Value proposition

- Competition (games)
- Market structure of professional football (leagues, teams, players)

2 Target customers

- Sport fans as principal support of the entire system (gate revenue, merchandise sales)

3 Infrastructure and capabilities

- Marketing, sales, and reputation
- Distribution networks (ticket sales, retail stores, media, partnerships)

4 Financial aspects

- Merchandise sales
- Sponsorships
- Gate revenue
- Television and broadcasting rights

5 Other key factors

- Size of the economy of a particular country
- Facilities
- Skills such as marketing and distribution
- Presence or absence of sophisticated financing tools

The above analysis of generic BMs revealed guiding variables for a viable professional football BM. The discussion and analysis that follows clarify professional football clubs' business in Europe and Africa according to the identified variables.

3.4 PROFESSIONAL FOOTBALL BUSINESS MODEL IN EUROPE

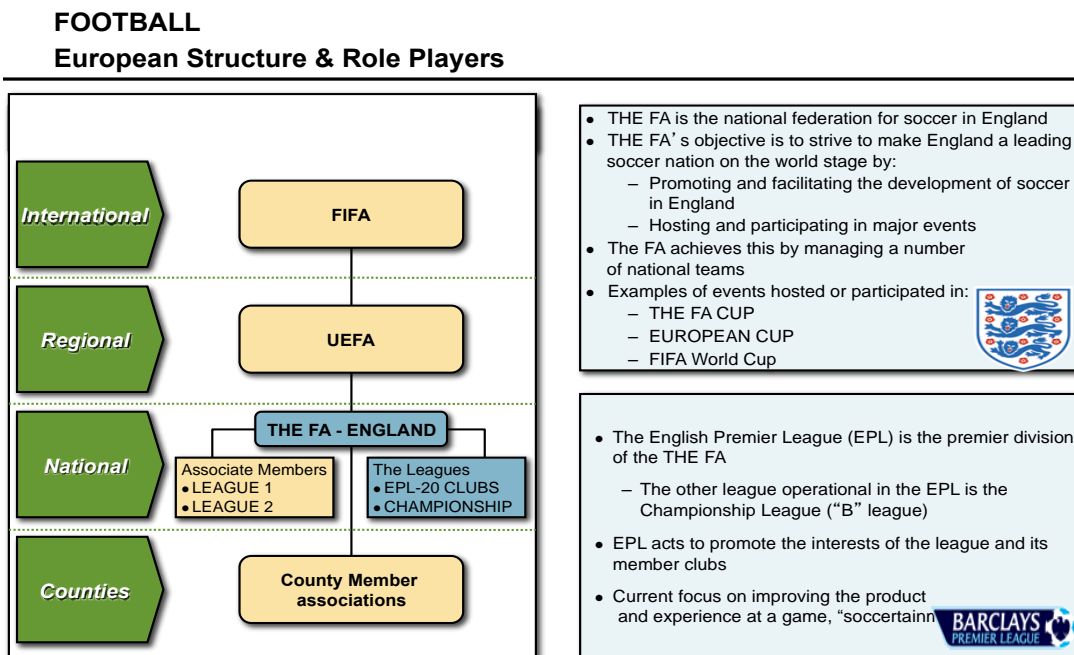
In 3.3 the business operations of professional football were deconstructed into the business components of generic business and professional sport models. In subsequent paragraphs the researcher focuses on specific professional football BMs in Europe and Africa as units of analysis.

3.4.1 Defining the European football industry

Many people resent the use of the term “business” to describe the activities performed by the main actors in the European football scenario. It is undeniable that European professional football has undergone an accentuated process of commercialisation, especially in the last 15 years, which has brought significant amounts of money into the game. For the purpose of this study football business is defined as the group of commercial activities performed by actors in the football industry. The football industry, in turn, is defined as the group of legal entities whose commercial activities are rooted in the game of football. Such a definition of the football industry is, however, a very broad one and needs to be narrowed down.

3.4.2 Governance structure of European professional football

Figure 1 presents an overview of the European professional football governance structure. In this structure clubs are the basic units and the foundation of the European BM of professional football. Originally founded as local associations, the initial objective was to offer local communities the possibility of engaging in sport, thereby promoting the idea of “sport for all”. With the introduction of a regular competition, the FA Challenge Cup in 1871, spectator crowds in England began to increase dramatically and in 1901 a crowd of 110,820 turned up to watch the football clubs Tottenham Hotspur and Sheffield United contest the final of the trophy. These crowds increasingly popularised football as a spectator sport. Today, the main objective of top professional football clubs has shifted from offering opportunities to engage in the practice of the sport, to offering the spectacle of the game and all the attached psychological, emotional and social benefits for the fan. In essence, however, clubs still remain the basis and the primary point of contact with communities and fans.



Note: EPL: English Premier League; FIFA: Fédération Internationale De Football Association; UEFA: Union of European Football Associations.
 Source: THE FA website, EPL website
 LES-SWC-SA Sports Industry & Tourism Overview-07/09/05-KH

1: European football structure

In the context of professional sport business, football clubs represent the smallest unit required in order to organise competitions. For example, Manchester United professional football club is one member of the 20 professional teams in the league competition known as the EPL.

Manchester United professional football club within the EPL and European governance system represents one of the units of analysis in this study and it therefore becomes necessary to present a brief overview of the history and development of the club in an attempt to understand their BM.

Manchester United is one of the most popular and successful sports teams in the world, playing one of the most popular spectator sports (football) on earth. Through its 134-year heritage it has won 60 trophies, enabling it to develop what they believe to be one of the world's leading brands and a global community of 659 million followers. Its large, passionate fan and supporter base provides Manchester United with a worldwide platform to generate significant revenue from multiple sources, including sponsorship, merchandising, product licensing, new media and mobile media products, television and broadcasting and match-day revenue. Manchester United attracts leading global companies such as Nike, Aon, DHL and General Motors (Chevrolet) as sponsors that want access and exposure to Manchester United's community of followers and association with their brand.

Founded in 1878 as Newton Heath Football Club, Manchester United has operated for over 130 years. The team first entered the English First Division for the start of the 1892/93 season. At that time it was the highest league in English professional football. The club's name changed to Manchester United Football Club in 1902, and they won the first of their 20 English League titles in 1908. In 1910, Manchester United moved to Old Trafford, its current stadium. In the late 1940s, it returned to on-field success, winning the Football Association Cup in 1948 and finishing within the top four league positions during each of the first five seasons immediately following the Second World War. During the 1950s, Manchester United continued their on-field success under the leadership of manager Sir Matt Busby, who built a popular and famous team based on young players.

In 1986, the club appointed Sir Alex Ferguson as manager. In 1990, they won the FA Cup and began a period of success that has continued until the present day. Since 1992, they have won the Premier League 13 times and have never finished lower than third place, except for the 2014/15 season where they ended up in position 4. In total, Manchester United have won a record 20 English League

titles, a record 11 FA Cups, four League Cups, three European Champions Cups and one FIFA Club World Cup, making them one of the most successful professional football clubs in England, Europe and the world.

Since the inception of the Premier League in 1992, Manchester United has enjoyed consistent success and growth with popular players such as Eric Cantona, David Beckham, Ryan Giggs, Paul Scholes, Roy Keane, Bryan Robson, Cristiano Ronaldo and Wayne Rooney. The popularity of these players, their distinguished tradition and history, and the on-field success of their first team have allowed the club to expand into a global brand with an international follower base.

Old Trafford stadium, commonly known as “The Theatre of Dreams”, was originally opened on 19 February 1910 with a capacity of approximately 80,000. During the Second World War, Old Trafford was used by the military as a depot, and on 11 March 1941 was heavily damaged by a German bombing raid. The stadium was rebuilt following the war and reopened on 24 August 1949. The addition of floodlighting, permitting evening matches, was completed in 1957 and a project to cover the stands with roofs was completed in 1959. After a series of additions during the 1960s, 1970s and early 1980s, capacity at Old Trafford reached 56,385 in 1985. The conversion of the stadium to an all-seat stadium reduced capacity to approximately 44,000 by 1992, the lowest in its history. Thereafter, Manchester United began to expand capacity throughout the stadium, bringing capacity to approximately 58,000 by 1996, approximately 68,000 by 2000, and approximately 76,000 in 2006. Current capacity at Old Trafford is 75,766.

Manchester United operates and manages its business as a single reporting segment, namely the operation of a professional sports team. Manchester United reviews their revenue through three principal sectors:

- **Commercial (sponsorship, merchandise, and new media)**
- **Television and broadcasting, and**
- **Match day.**

The company’s executive board, however, manages the business as a whole, allocating resources and assessing performance based on a single operating and reportable segment through which it conducts their business. These three principal sectors are discussed in more detail below.

Commercial (sponsorship, merchandise, new media)

Manchester United's commercial revenue was £117.6 million; £103.4 million and £77.3 million for each of the years ended 30 June 2012, 2011 and 2010, respectively, and grew at a compound annual growth rate of 23.3% from fiscal year 2010 to fiscal year 2012. The growth rate of its commercial revenue from fiscal year 2010 to fiscal year 2011 was 33.7%, and from fiscal year 2011 to fiscal year 2012 was 13.7%.

Within the commercial revenue sector, Manchester United has three revenue streams which monetise their global brand:

- 1) sponsorship revenue;
- 2) retail, merchandising, apparel and product-licensing revenue; and
- 3) new media and mobile revenue.

Manchester United predicts these will be their fastest-growing revenue streams over the next few years (Manchester United Football Club, 2014). Each of the revenue streams are analysed below.

Sponsorship

Manchester United commercialises the value of their global brand and community of followers through marketing and sponsorship relationships with leading international and regional companies across all geographies.

Retail, merchandising, apparel and product licensing

Manchester United market and sell competitive sports apparel, training and leisurewear and other clothing featuring the Manchester United brand on a global basis. In addition, they also sell other licensed products, ranging from coffee mugs to bedspreads, featuring the Manchester United brand and trademarks. These products are distributed through Manchester United branded retail centres and e-commerce platforms, as well as their partners' wholesale distribution channels. Manchester United's retail, merchandising, apparel and product-licensing business is currently managed by Nike, who pays them a minimum guaranteed amount and a share of the business' cumulative profits.

New media and mobile

Due to the power of the Manchester United brand and the quality of their content, they have formed mobile telecom partnerships in 44 countries. In addition, they market content directly to their followers through their website, www.manutd.com, and associated mobile properties.

Manchester United's additional two principal revenue sectors, television and broadcasting and match day revenue, provide consistent cash flow and global media visibility that enables them to continue to invest in the success of the team and expand their brand.

Television and broadcasting revenue

Manchester United benefits from the distribution and television and broadcasting of live football content directly from the revenue they receive and indirectly through increased global exposure for their commercial partners. Television and broadcasting revenue is derived from the global television rights relating to the Premier League, Champions League and other competitions such as the Football Association Cup. In addition, Manchester United's global television channel, MUTV, delivers Manchester United programming to 54 countries around the world.

Match-day revenue (tickets sales, hospitality, concessions)

Manchester United believes Old Trafford is one of the world's iconic sport venues. It currently seats 75,766 and they have averaged over 99% attendance capacity for their Premier League matches in each of the last 15 years.

Regional football associations form the next level in the European football governance structure, although this form of association is not present in all countries. Clubs are usually affiliated to regional football associations. Their scope of action is limited to a region within a country in which they are responsible for organising regional championships or coordinating the sport. In the context of South Africa, SAFA is divided into 52 regions for the management of amateur football. This is important as the source of labour for football players. Also, in the context of a professional football model these regions are necessary to fulfil the promotion/relegation aspect of the model. Clubs are usually relegated or promoted from these regional leagues.

National associations represent the next level of the governance structure. The first national football association to emerge in the world scene was the English Football Association, or simply the FA as it is known today. It emerged from the London Football Association (LFA) that became virtually the sole authority for the game in England after different regional associations in England came to a compromise agreement in 1877. By 1905 it had achieved the mark of 10,000 affiliated local clubs. The success of the LFA in establishing its control over other regional associations came with the popularity of the Challenge Cup, instituted in 1871, a competition that is still played today. The

regular football match between England and Scotland that started in 1872 also contributed to the popularity of football.

Today, national associations, besides organising club competitions and being responsible for the coordination of a national team to represent the country in international competitions, are also the supreme regulatory and disciplinary body of football within national boundaries. They do, however, have limited autonomy and have to abide by the rules of UEFA and FIFA. By doing this national associations are granted a monopolistic position in the national organisation of the game as FIFA, as the ultimate body in the pyramid, will only recognise one football association per country. Like regional leagues, national football associations are responsible for organising international competitions together with FIFA. An example in this regard is the FIFA Football World Cup, which generates billions of dollars in revenue.

Some European countries such as France, Italy and England reflect another form of organisation with the introduction of national football leagues. The origin of football leagues dates back to England to the end of the nineteenth century. In 1885, after a series of complaints about athletes accepting money and the creation of committees to deal with them, followed by threats of serious punishment, the FA legalised professionalism. This implied that football players had to receive a regular income. The Challenge Cup was, however, still the main football competition. Being a knockout competition, even the best teams could be eliminated in an early round leaving them without an opportunity to generate income. The answer to this situation was the Football League. This league was made up of selected teams that agreed to play one another on set dates, on a home and away basis, and promised to field their strongest teams and to give football league matches preference over all others. The individuals engaged in the discussions about the new league were essentially self-made men, small business owners and industrialists who came from a social category different from that of the officials of the FA. With the FA watching anxiously, those in favour of the football league held discussions. On 8 September 1888 the new football league kicked off competition with 12 teams. A constitution was drawn up determining issues such as the points-scoring system, how to share the gate money, and later, a system of promotion from and relegation to a second division. The English Football League conceded the right of the FA to control football in all areas but the organisation of league competition. This meant that the FA was left to control the Challenge Cup, internationals, amateur football and certain matters concerning the rewards and disciplining of professional football players.

Today, the relationship between national leagues and national associations throughout Europe is

very similar to the one verified in England in the late nineteenth century. While the national association is responsible for the control and development of all aspects and discipline of football within the national boundaries, the league's main interest is the commercial development of its major product, a league competition. Although there are tensions from time to time, the two bodies cohabit in relative peace given their share of common interests in the game. In every professional sport BM, the national leagues represent the apex of professional sport. National leagues are the competitions in which professional clubs are organised. Without national leagues there are no professional football competitions.

The EPL can be cited as an example of a national football league. It was formed in 1992 when the 22 First Division (as it was then called) football clubs resigned from the Football League and set up their own division in order to attract greater revenue. The number of professional football clubs in the EPL has since been capped at 20. Professional football teams in the EPL include clubs like Manchester United, Arsenal, Chelsea and Liverpool. As soon as the EPL embraced live broadcast of Premier League football matches, match attendance started to increase, football became fashionable again, and the financial problems of the top professional football clubs started to disappear. Through the first television and broadcasting rights, the EPL was able to increase the annual income of the top professional teams from around £200 million in 1991/92 (less than £10 million per team) to £1,246 billion in 2002/03 (over £60 million per team). This represents a sixfold growth in a space of ten years. This season, 2015/2016, the EPL has signed a new television and broadcasting deal worth £5.1 billion for the next five years with Sky and BT Television networks. Since its formation in 1992, the EPL television and broadcasting rights have grown over 25 times in value (worth £167 in 1992, today worth £5.1 billion).

The EPL also succeeded because of improved marketing and merchandising, and growing international appeal due to participation in the UEFA Champions League. Most of the money was devoted to the continuous development of competition between teams to hire players, and the 1990s also saw a huge influx of foreign players as top professional football clubs used the money to develop stadiums and players. Between 1992 and 2002, English clubs invested around £1,500 million in sports facilities, of which the government funded only £200 million. It is also during this time that the EPL teams became playthings for the rich and famous. In 2003 the Russian oligarch Roman Abramovich bought Chelsea Football Club and has invested at least £500 million in assembling a professional team that can dominate both the English and European leagues.

In the mid-1990s, 20 English professional clubs floated on the stock exchange, making explicit the obligation of directors to meet the needs of shareholders rather than fans. Despite all this, few clubs during this period succeeded in generating profits and, given the extreme competition dictated by the promotion and relegation system, many of the clubs that misjudged their player investment fell into financial difficulties. Although there were no bankruptcies, many clubs underwent comprehensive financial restructuring and suffered a significant reversal of fortunes on the pitch. Fearing that their team would be taken over and sold to the highest bidder, fans started to organise themselves and formed Club Supporters Trusts in order to encourage fans to actively participate in the affairs of their clubs. Fan power was eventually felt in the successful opposition of the takeover of Manchester United by Sky in 1999, but ultimately failed in the struggle to prevent the takeover of the club by Malcolm Glazer in 2005.

Despite the enormous improvement and business success of English football over the last three decades as judged by growth in income, attendance, players' quality, excellent world-class facilities, and even the performance on the pitch, there is still much uncertainty and concern about the future direction of English professional football. Many of these concerns are shared with other European professional leagues. Concerns include the dominance of wealthy teams and the power of television money in the game and fears that owners might seek to restructure competition, for example, formation of a European Super League. It is likely that further major changes are afoot in English football. It is widely believed that the two dominant Scottish clubs, Rangers and Celtic, would like to join the EPL, resulting in a further significant income boost for the leading professional football clubs.

According to Deloitte & Touche (2013) the EPL had a €1 billion gap over the second-placed German League (Bundesliga) in 2011/12, and as a result it remains the football world's leading revenue-generating club competition, with the clubs' revenue growing by 16% (as measured in Euros) in 2011/12. The EPL is the most successful league in Europe and the world by both size and value (Deloitte & Touche, 2013). This provides justification for choosing it as a unit for analysis in Europe. Manchester United is one of the 20 clubs in the league and has been there since the league's inception. The club is regarded as the most successful professional football club of all time and was the number one most commercially viable professional football club in the world for 16 years. Currently it is in fourth place in Europe. For this reason, Manchester United was also included as a unit of comparison and analysis in this study.

The next level of the governance pyramid is formed by continental confederations, or more specifically in the case of Europe, UEFA. As the name suggests, 52 national football associations form UEFA. It is the governing body of football on the continent of Europe and has as its core mission to safeguard the development of European football at every level of the game and to promote the principles of unity and solidarity. Along the same lines as national associations, UEFA enjoys a monopolistic position in the organisation of the game in Europe, guaranteed by the pyramid structure.

It is relevant to note that unlike the reality at the national level, where a league takes from the national association the responsibility of organising and commercially developing an elite competition among clubs, the structure of the league does not exist at the continental level. The task of organising and commercialising European club competitions falls under UEFA's direct jurisdiction (Ducrey, Ferreira, Huerta & Tallec, 2002/2003). Continental structures are responsible for organising competitions among teams and countries in a particular region of the world; for example UEFA represents club (UEFA Champions Cup) and country (European Championship Cup) competitions.

FIFA constitutes the supreme authority of football in the world. Its creation, in 1904, precedes that of the continental confederations, and thus national associations also form its membership structure. Technically, the continental confederations, like UEFA, are not members of FIFA, but are recognised bodies and have the right to elect the vice presidents and members of FIFA's Executive Committee. FIFA's purpose is to promote and develop the game of football throughout the world, and to be the guardian of the regulations of the game. Unlike national associations, national leagues and continental confederations, FIFA currently does not organise club football competitions, although it regulates matters that impact club football reality, such as transfer systems, and the coordinated international calendar. FIFA's activities as far as competition organisation is concerned are currently limited to international competitions among national teams.

FIFA is responsible for holding the whole football governance pyramid together. The ownership of the FIFA World Cup, the most important single sporting event in the world, and a large and universal membership base are its main sources of power. By making use of regulations such as the need for a national association to be a member of a continental federation for two years before being granted membership of FIFA, and by obliging continental confederations to comply with and enforce compliance with the FIFA statutes, regulations and decisions, and to ensure that international leagues or any other such combination of clubs or leagues shall not be formed without

its consent and approval, or by prohibiting affiliated national associations and their clubs from playing matches or entertaining other sports contacts with associations which are not affiliated to FIFA or with clubs belonging to them without FIFA's consent, it guarantees that the layers and the monopoly of the governance pyramid in the organisation of football are respected. FIFA organises the FIFA World Cup together with the national associations.

3.4.3 Competitions as part of a value proposition–UEFA Champions League

Competitions are at the heart of professional football governance and revenue. Eligibility for the UEFA Champions League depends on the technical performance of clubs in their domestic leagues, and on the ranking of national associations prepared by UEFA. As an example, the champions and the runners-up at the EPL automatically secure a berth among the 32 participants in the UEFA Champions League, while the third and fourth places will play at a qualifying stage. The same is valid for Spain and Italy. But countries ranked lower by UEFA receive a reduced number of berths for the competition, with some countries receiving only a place at the qualifying phases. The competition is preceded by three qualifying phases played by 56 clubs entering in different stages. From the qualifying phases 16 clubs eventually gain access to the competition. Those clubs join the other 16 that secured an automatic berth, totalling 32 clubs. Currently, the 32 clubs play a first group stage (eight groups of four teams) with the two top teams in each group qualifying for a second group stage (four groups of four teams). The group stages are followed by a knockout stage (quarter-finals and semi-finals) with home and away matches followed by a one-leg final match at a predetermined venue.

The UEFA Cup represents a major competition in Europe. Eligibility for the UEFA Cup is open to teams finishing in leading positions behind the champions in the domestic top divisions, besides the winners of the national cup competition, the winners of the league cup competition in certain countries, the three winners of the final matches at the UEFA Cup and three clubs from UEFA's annual fair play assessment. The UEFA Cup is a knockout competition played at home and away (except for the final match, which is played as a one-leg match) and is preceded by a qualifying stage. After this stage, a group stage of 40 yields 24 teams which proceed to the final rounds, joined by the eight teams falling in third place at the first group stage of the UEFA Champions League.

3.4.4 Target consumers

Fans and supporters are primary drivers of the professional football industry. Although the importance of television and sponsors is clear in the current BM of the European football industry, which might lead one to conclude that those are the most important actors in this industry, the dynamics of the industry rely ultimately on the interest of spectators.

The cornerstone of value for the European football industry is the relationship between fans and the clubs. In this relationship professional football clubs provide fans with the game and all the emotional, social and psychological benefits attached to it. The fans, in turn, provide the club with financial resources in the form of gate receipts, season tickets or membership fees and purchase of licensed merchandise, besides emotional association, support, loyalty and exposure, among other non-tangible benefits. This relationship illustrates the fact that clubs need the league structure to create the on-field competition environment required by fans. The quality of the competition, measured in terms of the quality of teams taking part in that competition and in the level of competitive balance, is one of the most important drivers of demand for football. This relationship between clubs and leagues is one of the well-known peculiarities of the football industry. In any other industry the ideal objective of the players would be to achieve a monopolistic position driving competitors out of business, whereas in the football industry this is not only impossible, but also not desirable, since clubs need to cooperate for the joint production of the game. There are, however, inherent conflicts between teams since the league structure also determines a team's individual share of industry profits.

Relationships also reflect the fact that some of the football fans are not necessarily attached to one specific club but have an overall interest in a particular competition. The marketing strategy of the UEFA Champions League has the benefit of strengthening this link; it eventually intends to increase the share of the population interested in European football regardless of a particular team allegiance.

The fan base of a particular professional football club plays a significant role in securing sponsors. Traditionally, revenues of free-to-air television companies are based on advertisements from sponsors. In order to attract sponsors, television companies must be able to attract an audience, and offering content does this. By getting an audience, television companies become attractive to sponsors. Sponsors will pay to use television as a channel to advertise their products and services to their target markets among the audience. Pay-TV companies have an incremental revenue stream. In addition to advertisements from sponsors, they rely on subscription fees from consumers interested in having access to exclusive content. In both cases though, it is clear that an audience or a strong and extended fan base is key.

In markets where the interest in a particular sport involves a large share of the population, which is the case of football in the “big five” leagues, TV companies and sponsors realise the importance of the link represented in relationships and wish to exploit it. TV companies pay to acquire the right to broadcast (if possible exclusively) individual matches or competitions in the hope of attracting an audience. Sponsors pay to associate themselves with teams or leagues, both as a way to get visibility with sports fans and to associate their brand with the sporting brand they are sponsoring, thus exploring the goodwill present in the link between the fan and the sport. Their ultimate goal is to get the population to consume their products and services. In all cases it is simple to understand that the ultimate source of value for the football industry is the interest of the fans in the sport. The fan is the TV viewer, the Pay-TV subscriber, the stadium spectator, and potentially the end consumer of the sponsors’ products and services. The larger the fan base and its identification with the sport, the higher the probability that this sport will attract the interest of TV and sponsors. Of course, the potential value of the football industry in a particular region will depend also on the size of the TV audience and the advertisement markets in that region, which in the end are related to the demographics of the region. Thus the focal point of the football industry is the football fan, and that is the reason why it is crucial for clubs, leagues and governing bodies to understand what drives spectator interest and demand for European football. Szymanski (1999) attributes fan interest in football to 1) quality of the game; 2) uncertainty of outcome of the match and of the competition; and 3) the success of the fan’s own team.

The quality of the game involves aspects such as the entertainment and spectacle, the aesthetic pleasure of watching the game and the quality of the visiting team. The uncertainty of the outcome has two major aspects: uncertainty of outcome of the match and the uncertainty of outcome of a competition. Gratton et al. (2010) show that generally, the closer the result of the match is expected to be, the more attractive the game will be to fans. Along the same lines fans would be less enthusiastic about a game in which the result is seen as a foregone conclusion. Furthermore this uncertainty must be preserved at all costs, as the integrity of the game is completely connected to the integrity of the result. The uncertainty of outcome of the competition is measured in terms of competitive balance. There is general agreement that match attendance will be influenced by the closeness of the championship race. As more teams have a chance of reaching the finals or play-offs, fans will expect a close contest and anticipate high-quality play. This anticipation will be reflected in a higher level of fan enjoyment and consumer utility and a boost to crowd size. Success of the fans’ own team implies that supporters achieve satisfaction from identifying with a winning team. Arguably, a team that consistently loses will have difficulty attracting large crowds. That

could help to explain why clubs like Manchester United or Real Madrid have larger and more active supporter bases than their domestic peers.

If a winning season contributes to the increase of the commitment of the supporter base of a specific club and if the fan base, as argued before, is the principal source of goodwill for a club, it seems obvious to state that clubs, as individual entities, will seek to maximise their winning ratios as a way to increase the supporter base. This practice, if successful, will eventually conflict with the element of uncertainty of outcome. The challenge for clubs and organisers of competitions is to understand the optimal combination between those three elements (quality of the game, uncertainty of outcome and success of own team) in the determination of demand for football.

3.4.5 Financial aspects

The current BM of the European football industry relies on four main revenue streams:

- Match-day revenues–Expenditure of fans on-site, mainly derived from gate receipts (including season tickets)
- Media rights–Value paid by media companies to acquire the rights to televise and broadcast a specific sport property
- Sponsorship–Mainly derived from brand/name placing on team shirts and around stadia
- Other commercial revenues–Mainly revenues from licensed merchandise, but also includes conference and catering services

Television is in general the single largest contributor to clubs’ revenues in the “big five” leagues. According to Deloitte and Touche (2013) in the 2000/01 season, TV accounted for €2.4 billion, or 46% of the €5.2 billion total revenues of the top-division clubs in the “big five” leagues of European football. Today this figure is estimated to be €10 billion. However, this proportion will vary significantly according to the size of the television market in which the club is located. There is a clear difference between the relevance of television monies for the top-division clubs in the “big five” leagues and the top-division clubs in other mid-size or small leagues like Portugal, Netherlands and Norway.

3.4.6 Other key factors

Economic factors in the European sport industry also influence the total revenue of professional football. The share of sport-related value added in the European Union amounts to 1.76%. The share

of what is generally known as the organised sports sector (sports clubs, public sports venues, sports event organisers) is reflected in the statistical definition. The share of value added according to the statistical definition is 0.28%. Therefore the real share of sport in terms of production and income is about six times as high as reported in the official statistics. Sport-related value added amounts to €173.86 billion. The direct effects of sport, combined with its multiplier (indirect and induced) effects, add up to 2.98% (€294.36 billion) of overall gross value added into the European Union.

The share of the value added by sport in Europe is comparable to the share of agriculture, forestry, and fishing combined and almost two and a half times as large as mining and quarrying, and represents at least more than one-fifth of financial service activities, including insurance and pension funds. Every sixtieth Euro generated and earned in the European Union is sport-related.

Sport likewise adds value to the economy in the UK. The share of sport-related value added for the UK is 2.33%. This is above the EU average of 1.76%. Sport-related value added amounts to €37.99 billion.

3.5 PROFESSIONAL FOOTBALL BUSINESS MODEL IN AFRICA

3.5.1 Defining an African professional football business model

In the document analysis and literature review performed by the researcher, limited research was found (Bouchet & Kaach, 2004; Andreff, 2001) on the issue of a possible sport or professional football BM for Africa. The existence of an African Sport Business Model has only been raised as a question recently by Bouchet and Kaach (2004). Discussions, however, were only on the issue of a possible football BM for Africa, focusing only on the French-speaking African football-playing countries. According to Bouchet and Kaach (2004) it seems as if an African football BM is in general characterised by all the features that are associated with sport in developing countries, namely underdeveloped physical education and sport participation, low financing of sport and absence of financing instruments for professional sport teams, few sport facilities and few world sporting events hosted, as well as a low availability of qualified sport teachers, coaches, and facilities. South Africa and Egypt are the only exceptions in Africa. Andreff (2001) also identified these characteristics as prohibiting factors in the development of a viable football BM for Africa (Andreff, 2001). In the next section the researcher applies the same Business of Professional Sport framework used in analysing Europe to analyse African Business of Professional Sport models.

3.5.2 Governance structure of African professional football

Figure 2 presents an overview of the governance structure of professional football in Africa.

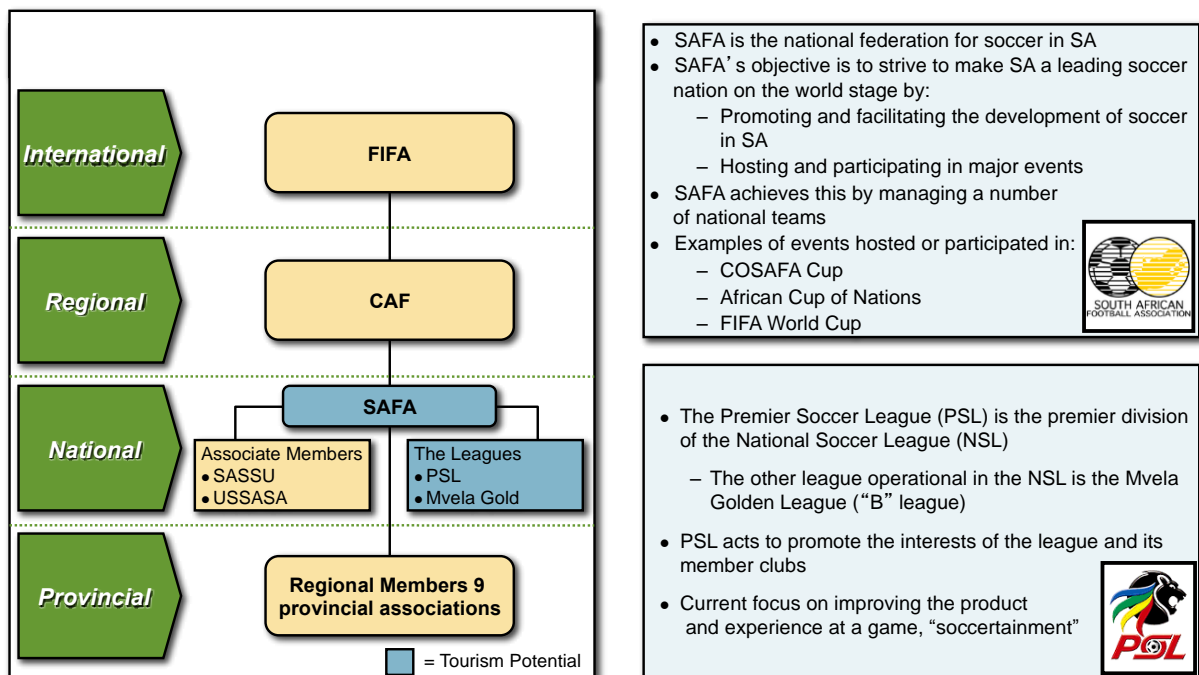
Football club structures in Africa have evolved over time and developed differently from one jurisdiction to the next, influenced by country-specific economic, social and political factors. The ownership of football clubs in Africa can broadly be split into the following three forms:

1. Community ownership (via a member-owned society or registered/unregistered association)
2. State ownership (via a state-owned authority/agency or company)
3. Private ownership (via a private limited company or unregistered structure)

There are some variations in the above forms from one jurisdiction to the next and increasingly, boundaries between the forms have become blurred, particularly where community-owned clubs have become subject to state or private influence. Common to each of the forms, a recurring problem in African football is a lack of formality in implementing these structures. Historically, many top-tier clubs have not operated via a formally registered legal entity, and where entities are registered, there remains a lack of transparency and accountability to supporters in the way that the clubs are run. Across Europe for instance, a supporter may obtain the ownership register, statutes and annual accounts of their club from the appropriate public registry, but this is generally not the case in Africa.

FOOTBALL

African Football Structure & Role Players



Note: NSL: National Soccer League; FIFA: Fédération Internationale De Football Association; CAF: Confédération Africain de Football; SASSU: South African Students Sports Union; USSASA: United School Sport Association of South Africa
 Source: SAFA website, PSL website
 LES-SWC-SA Sports Industry & Tourism Overview-07/09/05-KH

FIGURE 2: Governance structure of professional football in Africa

This lack of formality is an issue FIFA and subsequently CAF have sought to address through club licensing regulations. One of the stated objectives of CAF's club licensing regulations is to improve the economic and financial capacity of football clubs through "proper corporate governance and control". Article 11 of the regulations requires as a Grade A (mandatory) requirement that license applicants provide "a copy of valid statutes" together with "an extract from a public register (trade register) containing information on the license applicant (such as name, address, legal form, list of authorised signatories and type of required signature)". Article 12 further requires that regardless of the applicant's legal structure, clubs shall prepare independently audited accounts (Sandlanders and Supporters Direct, 2014).

The regulations, if implemented effectively, will, at the top level at least, address one of the key issues impeding the commercial development of African football—namely a lack of corporate formality. This lack of formality prevents professional football clubs from accessing finance from commercial lenders and corporate sponsors alike. A lack of transparency and accountability also

puts a distance between clubs and their supporters, limiting potential long-term engagement.

To provide an example of types of ownership of professional football club structures across Africa, the structures of the 2014 CAF Champions' League group phase participants are presented in Table 3, which shows the dominance of community-owned clubs at the highest level of African football.

TABLE 5: Ownership structure of top eight finalists in CAF Champions League Finals (2014)

CLUB	COUNTRY	OWNERSHIP STRUCTURE	YEAR FOUNDED	FACEBOOK FOLLOWERS
TP MAZEMBE	Democratic Republic of Congo	Private limited liability company	1939	111,552
AS VITA CLUB	Democratic Republic of Congo	Community-owned multi-sport club	1935	20,234
AL-HILAL OMDURMAN	Sudan	Community-owned	1930	277,544
ZAMALEK SPORTING CLUB	Egypt	Community-owned multi-sport club	1911	2,744,504
CLUB SPORTIF SFAXIEN	Tunisia	Community-owned multi-sport club	1928	234,935
ENTENTE SPORTIVE DE SETIF	Algeria	Community-owned	1958	103,846
ESPERANCE SPORTIVE DE TUNIS	Tunisia	Community-owned multi-sport club	1919	226,047
AL-AHLY BENGHAZI SPORTS CULTURAL AND SOCIAL CLUB	Libya	Community-owned multi-sport club	1947	29,493

Source: Sandlanders & Supporters Direct ©, First Africa Report: Club Structures & Licensing

TP Mazembe (World Club Cup finalists in 2010) is the only fully private football club amongst the final eight clubs. Despite being privately owned, the club also exhibits some of the characteristics of community-owned clubs in terms of its commitment to developing infrastructure to benefit the community and building the profile of Katanga Province in the Democratic Republic of Congo.

Analysing the different football club ownership structures revealed five factors contributing to their success, namely longevity, supporters, on field success, administration, and financial issues.

Longevity - many of the most successful community-owned clubs were established in the first part of the twentieth century.

Supporters - the biggest community-owned clubs generally have large fan bases. Clubs may have a potential fan base of millions with thousands of registered members—for example Yanga and Simba in Tanzania – millions of supporters across the country and around 12,000 to 13,000 registered members. In Egypt between 10,000 and 20,000 members vote in club elections. Zamalek’s current membership stands at around 54,000 and since membership is one per family, there are many more individual members.

On-field-success - Africa’s most decorated clubs are community-owned. Four of the five clubs with the most CAF titles (Al Ahly, Zamalek, ES Sahel, TP Mazembe and JS Kabylie) are community-owned to some extent (TP Mazembe being the exception).

There are also factors that lead to professional football clubs’ failure, such as administration and financial issues.

Administration - despite their large fan base and on-pitch success, the larger member-owned clubs face complicated and deep-rooted administrative difficulties. Such is the influence of the clubs amongst their supporters and the wider population that, if unprotected by robust regulation, the institutions are vulnerable to over-politicisation. In such cases, the principles of democracy, transparency and accountability may be compromised.

Financial issues - in a number of cases, community-owned clubs have become over-dependent on state support and do not otherwise run as financially sustainable businesses. The lack of a stable financial base contributes further to over-politicisation of the clubs (Sandlanders and Supporters Direct, 2014).

A significant aspect that impacts on the governance structures of professional football clubs in Africa is the CAF Club Licensing Rights (Sandlanders and Supporters Direct, 2014). On 19 January 2012 the Executive Committee of African football’s governing body approved the CAF regulations. These regulations came into force on 1 March 2012. The regulations contain the following overarching objectives, which mirror those set out by FIFA in their 2008 Club Licensing Regulations:

- promoting and improving the quality and level of all football aspects in Africa
- ensuring that all clubs have the appropriate infrastructure, knowledge and application in respect of management and organisation
- adapting and improving club sporting infrastructure

- improving the economic and financial capacity of clubs, through proper corporate governance and control
- ensuring and guaranteeing the continuity of international competitions during the season
- allowing parallel development and comparison amongst clubs by ensuring necessary compliance in terms of financial, sporting, legal, administrative and infrastructure criteria

The regulations also guide areas for development in economic and financial capacity and governance and control and infrastructure. These areas are in urgent need of improvement and the regulations provide a clear basis for improved regulation in African football if implemented, monitored and enforced effectively on an ongoing basis. From a club structuring perspective, the regulations require clubs to provide evidence of their incorporation and public registration and also to prepare independently audited accounts, as well as addressing issues such as transparency and accountability; an increase in corporate confidence should result from clubs being committed to legally binding statutes, rules and regulations. The regulations certainly provide a foundation for governance sustainability and quality, but need to be implemented carefully with attention paid to the specific circumstances of most football associations and clubs.

In 2011, a research thesis was completed for the International Centre for Sports Studies (CIES) (CIES, 2011) entitled *African football realities: Moving towards a club licensing system*, which included a case study assessment of Kaizer Chiefs Football Club (South Africa); Kumasi Asante Kotoko (Ghana); Paradou AC (Algeria); Mathare United (Kenya); and Stade Malien (Mali). This study highlighted that African clubs and national associations evolve in intrinsic football realities based on different socio-economic, political and sporting histories (CIES, 2011).

Based on the above research of the CIES, the four major governance needs and priorities of African football clubs and national associations were identified as education, finance, youth development and protection and infrastructure. Education highlighted the need for trained sport managers and administrators and special training on the football club licensing system. Finance pointed out the need to increase financial incentives for participation in CAF inter-club competitions, greater travel/accommodation subsidies and financial support for club licensing implementation. Youth development and protection placed a focus on the need to promote structured youth development systems and strengthen the protection of African youth players, while infrastructure emphasised the need for consistent accessibility and safety/security for players and fans.

A report from the African Sports Law and Business Bulletin entitled *Club licensing in African*

football – Are we there yet? also highlighted the reality that some CAF regulations are more easily enforceable in some countries than others, and the need for education and information that concerned most associations and clubs. (Sandlanders and Supporters Direct, 2014).

SAFA and the PSL constitute the primary governance structure in South African professional football. There is no specific limitation on club structures contained in the SAFA or PSL regulations but all of the PSL clubs are privately owned. In contrast to examples from other countries (Egypt, Nigeria and Kenya), this more homogenous structure can be attributed to a number of factors, including the relative development of the league system and the wider South African economy, resulting in a wider range of potential private owners and more money in the game in general so clubs are less reliant on government support.

PSL infrastructure

Despite the additional finance available in South African football, even the bigger clubs are still reliant on local government for use of infrastructure. Kaizer Chiefs, for instance, play at the FNB Stadium (Soccer City) owned by the City of Johannesburg and operated by Stadium Management South Africa with Chiefs as a key tenant. Orlando Pirates do have a share in ownership of Ellis Park in Johannesburg.

In South Africa the absence of fans has given several municipalities a headache as they battle to ensure the financial sustainability of the venues. A prime example is the 54,000-seat Cape Town Stadium where maintenance costs have drained the city council's coffers by R42m (US\$3.5 million) a year with very little income to offset that expenditure. Ajax Cape Town, the city's only Premiership side, battles to attract crowds of more than 5,000 to their league games and finds the cost of hiring the stadium too high.

Other municipalities like those in Port Elizabeth, Mbombela and Polokwane have resorted to paying teams like Kaizer Chiefs, Orlando Pirates and newly promoted Chippa United to play at their stadiums in the hope of marketing their respective cities and bringing in tourist spend. Chippa United, for example, concluded a R36 million (US\$3.2 million) deal to base themselves in Port Elizabeth so that the Nelson Mandela Bay Stadium could host football matches. Lack of ownership of infrastructure has left clubs with weak financial foundations and lack of a physical presence in their respective communities and fans.

Much greater corporate support for the game in South Africa ensures that clubs have a more typical

diverse revenue stream (outside of the contributions of their owners). The ability to freely transfer a Premier League “franchise” implies that professional football clubs become a more viable commercial proposition for prospective owners. The majority of professional football club owners in South Africa are successful individuals from other industries and other corporate groups, with a few exceptions including Platinum Stars.

Platinum Stars is an interesting example of a professional football club with some degree of “community” involvement. The club is owned by the Royal Bafokeng Nation (RBN, monarchy of the Bafokeng ethnic group). The RBN has established a sovereign wealth fund to invest income streams from huge platinum operations undertaken on its land. The fund invests in various civic and social services including the building of the 45,000-seater Royal Bafokeng Sports Palace used by Platinum Stars football club. Free trading of franchises with no controls to protect fan interests could, however, limit long-term engagement as happened in the PSL in 2002, when the PSL bought and dissolved two licenses to reduce the number of fixtures and costs. Professional football clubs without roots in a community will usually struggle to attract and retain support, which in turn affects their commercial viability. A lack of transparency and accountability to members at privately owned clubs prevent controls on prudent use of funds.

Table 6 reflects the ownership profile of professional football clubs in the PSL.

TABLE 6: Ownership profile of PSL professional football clubs



PROFESSIONAL FOOTBALL CLUB	OWNERSHIP STRUCTURE	YEAR FOUNDED	MEMBERS/OWNERS	FACEBOOK FOLLOWERS
KAIZER CHIEFS	Private	1970	Kaizer Motaung	1,866,495
AJAX CAPE TOWN	Private	1998	51% Ajax Cape Town 49% Cape Town Stars	9,316
BIDVEST WITS	Private	1921	Bidvest Group	5,758
MAMELODI SUNDOWNS	Private	1970	Patrice Motsepe	254,784
ORLANDO PIRATES	Private	1937	Irvin Khoza	481,387
FREE STATE STARS FC	Private	1977	Mike Mokoena	8,312
CHIPPA UNITED	Private	2010	Chippa Investment Holdings	6,064
MARITZBURG	Private	1981	Farook /Imraan Kadodia	2,549
SUPERSPORT UNITED	Private	1994	M-Net	10,163
MPUMALANGA BLACK ACES	Private	1937	George and Mario Morfou	221,115
MOROKOA SWALLOWS	Private	1947	90% by FB Soccer Investment Ltd, remaining 10% by various shareholders	6,582
PLATINUM STARS	Private	1988	Royal Bafokeng Nation	7,260
UNIVERSITY OF PRETORIA FC	Private	2005	TS Soccer (Pty) Limited	2,167
BLOEMFONTEIN CELTIC	Private	1969	Max Tshabalala	7,095
POLOKWANE CITY FC	Private	2012	Mogaladi family	1,795
AMAZULU FC	Private	1932	Patrick Sokhela	5,482

Source: Sandlanders & Supporters Direct © First Africa Report: club structures & licensing

Kaizer Chiefs Football Club represents one of the units of analysis in this study and therefore deserves more clarification in terms of its governance structure. Kaizer Chiefs Football Club is a South African football club based in Johannesburg that plays in the PSL. The team is nicknamed *Amakhosi*, which means “lords” or “chiefs” in isiZulu. They currently play most of their home

games at Nasrec, Soweto which is commonly also referred to as the FNB Stadium. The club is arguably the most successful professional football club in the country, and also the most supported club in South Africa and the neighbouring countries of Botswana, Zimbabwe, and Zambia. It has been estimated that the club has over 16 million supporters. The team has a local rivalry with a fellow Soweto team, Orlando Pirates, which Chiefs founder, Kaizer Motaung, played for in his early playing career.

Kaizer Chiefs were founded on 7 January 1970 shortly after the return of Kaizer Motaung from the United States where he played as a striker for the Atlanta Chiefs in the North American Soccer League (NASL). He combined his own first name with the Atlanta Chiefs to create the name of Kaizer Chiefs. Their headquarters is Kaizer Chiefs Village in Naturena, six kilometres south of Johannesburg. The 2001/2002 season was one of the club's most successful in their history as well as their most tragic. They won four major trophies in four months: the Vodacom Challenge, the BP Top Eight, the Coca Cola Cup and the African Cup Winners Cup. The highs of cup wins however were contrasted by the lows of the Ellis Park disaster on 11 April 2001, in which 43 fans were crushed to death during the Soweto derby between Chiefs and their arch-rivals Orlando Pirates. By virtue of winning the African Cup Winners' Cup, Chiefs went on to play the 2001 CAF Champions League winners Al-Alhly of Egypt in the 2001 CAF Super Cup. In April 2002, Kaizer Chiefs' achievements during 2001 were recognised as they were chosen as the "CAF Club of the Year" by CAF.

During the championship race of the 2004/2005 season, Chiefs overtook the season-long leaders (Orlando Pirates) in the last game of the season to defend its PSL championship. Kaizer Chiefs' forays into Africa were temporarily scuttled by a CAF ban. However it still made its presence felt through the annual Vodacom Challenge Cup that pitted Kaizer Chiefs and Orlando Pirates against an invited European club. Chiefs have won the Vodacom Challenge Cup five times since its inception. They beat a young Manchester United side 4-3 on penalties in the 2006 Challenge to win the trophy. In the period 2006 to 2015 Kaizer Chiefs has won nine domestic trophies, which include two national PSL championships, making it the most successful team during this period in South Africa.

3.5.3 Competitions as part of the value proposition

South Africa's PSL is the richest club football league in Africa and the additional funds in the system ensure that its clubs are among the best organised. In contrast to many other leagues in Africa, each of the PSL clubs has a clear corporate structure and SAFA was an early adopter of club

licensing regulations in 2012. The 2010 World Cup was also the catalyst for major investments in stadia and supporting infrastructure and as a consequence the clubs have access to some of the best infrastructure on the continent (Sandlanders and Supporters Direct, 2014).

The PSL is a league competition featuring professional football clubs from South Africa. It has been the professional football league in South Africa since its foundation in 1996. The PSL was created following an agreement between the National Soccer League and the remnants of the National Premier Soccer League (NPSL). PSL is a trading name for the National Soccer League (NSL). The Premier Division is seen as a successor of the National Soccer League. The PSL acts as a governing body and competition organiser. The PSL are affiliated to SAFA but SAFA does not govern the PSL competitions. Teams that are relegated from the PSL organised leagues compete in the PSL-run First Division.

The founding guidelines and principles, upon which the PSL was established, have always been for the development and support of professional soccer in South Africa. Consequently, an amount of US\$34 million is disbursed to clubs during the year. The clubs have a reciprocal responsibility to continue to enhance the brand of the league and to be mindful of their obligations to the football fraternity.

3.5.4 Target customers

Fans and supporters and sponsors are the primary target customers in an African football BM. There are currently no formal structures through which supporters can become involved in ownership or control over football clubs in South Africa. Vehicles for supporters to engage with their clubs are limited to informal supporters groups, though there are also numerous supporters groups devoted to European club sides which limits the ability of South African clubs to build a more engaged fan base. Poor attendance ranging between 500 and 5,000 spectators for PSL matches, excluding matches involving Kaizer Chiefs and Orlando Pirates, has resulted in low match-day revenue in PSL matches. It subsequently also affected the sales of merchandise revenue of the PSL.

3.5.5 Financial aspects

Financial criteria are very important to combat illicit conduct where professional football is concerned. Lack of transparency, proper management structures and professionalism in football management often expose football clubs and footballers to match fixing, sport fixing and illegal betting and gambling syndicates. It also opens up professional football clubs to money laundering and looting of club resources. The CAF Club Licencing Regulations, therefore, aim to eradicate illegal practices by ensuring that the economic and financial capability of clubs is improved, that

clubs increase transparency and credibility and that the necessary importance is placed on the protection of creditors. Every major football association, including SAFA, is required to ensure that clubs meet the minimum financial criteria set out in the CAF Club Licencing Regulations. These include the submission of annual statements that have been audited, setting out minimum information such the current assets, non-current assets, current liabilities, non-current liabilities, net assets or liabilities and equity of the clubs. In addition, professional football clubs must clearly declare their revenue and expenses and these must be kept in proper accounting records.

In the beginning the PSL struggled financially, but it has since benefitted enormously from the 2010 FIFA World Cup hosted by South Africa. The FIFA World Cup generated football interest not only within South Africa, but also globally, as companies rushed to be associated with anything even remotely similar to the FIFA World Cup. Table 7 presents a synopsis of revenue sources within the BM of the South African PSL.

TABLE 7: Synopsis of revenue sources indicated in the BM of the South African PSL

REVENUE SOURCES	REVENUE SECTOR IN PSL BM
COMMERCIAL	
Sponsorship	Corporate sponsorship
Merchandise	Shirts, bedspreads, mugs
New Media	Just informational and not commercial
TELEVISION AND BROADCASTING	Africa-wide television and broadcasting rights
MATCH DAY	Concessions, hospitality, ticket sales
INFRASTRUCTURE	Low access to world-class facilities, low-skilled staff in marketing and sales Facilities that are not owned by the clubs makes profitability difficult. Very few to no networks for product distribution in most African clubs
CLUB STRUCTURE	Club structures have developed differently from one jurisdiction to the next based on a variety of social, political and economic factors. Defective club structures are at the root of many issues impeding the development of African football. The consequences of weak club structures include: <ul style="list-style-type: none"> - lack of transparency, democracy and accountability; - vulnerability to political interference and undue influence; - lack of access to finance from commercial lenders or corporate sponsors; and - disengaged supporters
FANS AS CUSTOMERS	Poor attendance ranging between 500 and 5,000 spectators for PSL matches not involving Kaizer Chiefs has resulted in low match-day revenue in matches. Lack of clear engagements by most teams and strategies to communicate and market products to the fans.
VALUE PROPOSITION	The PSL is a trading name of the (NSL) which is a special member of SAFA and has 32 members—the 16 Premier League and First Division clubs who together make up the Board of Governors which elects the Chairman and Executive Committee.

Commercial activities in the PSL professional business model

The mobile telecommunications giant Vodacom has continued its affiliation with PSL professional teams, renewing its sponsorship of Kaizer Chiefs, arguably the largest professional football club in Africa in terms of value. Vodacom also sponsored Orlando Pirates, Kaizer Chiefs' biggest rival, in a ground-breaking deal believed to be worth around R1 billion (US\$100 million). Sponsorship has grown from a small amount of R35 million in 2007, to R40 million in 2008, and to a staggering

R143 million in 2015. This is largely due to the Vodacom sponsorship. It is sponsorship revenue that enables Kaizer Chiefs to dominate many teams in the league. Primarily, Kaizer Chiefs' popularity among its supporters, its success on the pitch, coupled with its marketing and sales infrastructure, are responsible for this exponential growth in sponsorship as a category.

In the broader South African professional football context, ABSA extended its sponsorship of the ABSA PSL to the end of the 2016 and 2017 season in a deal worth around R591 million (approximately US\$59.1 million), while also agreeing to sponsor the South African senior men's team (Bafana Bafana) until the end of 2017. SAB through its flagship beer Castle Lager have also renewed its sponsorship of the South African men's national team, while the national women's team (Banyana Banyana) continues to be sponsored by oil and gas company Sasol. The South African government-owned telecommunications company Telkom announced in 2016 that it is to continue its sponsorship of the Telkom Knockout football tournament for another five-year cycle. Mobile Telephone Network (MTN) continues to sponsor the MTN 8 knockout football tournament, which features the top eight soccer teams in South African professional soccer league; the winner of this prestigious tournament takes home R8 million in prize money.

Despite all these significant sponsorship deals, most of the PSL professional teams are in dire financial straits. There seem to be fewer than four teams that are commercially viable in the PSL (PwC, 2013). This is despite PSL having signed a landmark broadcast deal with a digital satellite television network called Super Sport in 2012. This financial struggle is, however, not limited to professional football. Many professional sporting bodies in South Africa continue to struggle commercially. Athletics South Africa (ASA) is in crisis and has been declared bankrupt by the South African Sports Confederation and Olympic Council (SASCOC). At the same time SAFA, in 2012, two years after hosting a commercially successful FIFA World Cup in 2010, went through major cost-cutting in order to remain profitable and to continue to trade (SAFA, 2013). SASCOC continues to struggle to raise enough money to prepare South African national sport teams to attend the Summer Olympic Games. As a result the uneven distribution of sponsorship revenue (Kaizer Chiefs receive disproportionate support on account of their popularity) affects the financial sustainability and competitive balance of the PSL clubs. This tendency seems to illustrate the dire need for viable BMs, not only in professional football, but in South African and African sport in general.

Merchandise

Poor average attendance ranging between 500 and 5,000 spectators for PSL matches not involving Chiefs and Pirates, has resulted in low match-day revenue in PSL matches. This also affects the merchandise revenue of the PSL. Kaizer Chiefs together with Orlando Pirates are the only South African teams that still make money from sales of merchandise, largely due to a large fan base. In the revenue model of Kaizer Chiefs it does however, constitutes the smallest annual revenue source, at R1 million. With over one million fans, there is no doubt that Kaizer Chiefs could be doing better in the revenue category.

Television and broadcasting revenue

In 2007, leading up to the FIFA World Cup, the PSL signed a deal with sports television broadcaster Super Sport for R1.6 billion (US\$195 million) for broadcast rights, making it the biggest sporting deal in South Africa's history. This deal was renewed in 2012 for a whopping R2.5 billion (US\$250 million) for a five-year period. This injection of revenue resulted in Kaizer Chiefs' revenue from television and broadcasting rights increasing.

The PSL's ability to attract sponsors and create significant television revenue allows it to retain a reasonable number of talented professional football players. This in turn creates an attractive product on the field, which generates further sponsorship and television revenues. In May 2013, the attractiveness of the PSL as a product saw it named the 25th best league in the world by Sporting Intelligence. This made it the only professional football league in Africa to make the list. Television and broadcasting sponsorship are key contributors to the revenue of the PSL in South Africa, and sponsorship deals are continuing to increase in value. Competition with foreign leagues shown extensively on television is, however, affecting the ability of the PSL to raise more revenue, as it is now forced to compete with the EPL and other African professional leagues shown on South African television screens.

Match-day revenue: (hospitality, ticket sales, and concessions)

Poor attendance ranging between 500 and 5,000 spectators for PSL matches not involving Chiefs and Pirates has resulted in low match-day revenue in PSL matches. Match-day revenue is the second-lowest source of income with the merchandise revenue of the PSL as the lowest.

The gate revenue market is relatively weak in South Africa and is expected to continue to be weak. Vehicles for supporters to engage with their clubs are limited to informal supporters' groups, though

there are also numerous supporters' groups devoted to European club sides, which limits the ability of South African clubs to build a more engaged fan base. Kaizer Chiefs' R5 million a year match-day revenue is the highest in the PSL, followed closely by their rival Orlando Pirates.

3.5.6 Other key factors

Economic factors in the African sport industry

In South Africa, annual sport-related spending is estimated as being in excess of R3 billion. The economic benefits derived from sport have been recognised since the 1980s, and more recently there has been increasing interest in the potential contribution of sport's inward investment and economic regeneration in the communities, cities and regions. Increased strategic investments in sport on the basis of a more innovative, well-coordinated, harmonised and focused approach to sport development and management will ensure sustainable delivery of sport with successful economic spin-offs.

It is important to note that the South African sport system is most probably not benefitting sufficiently from international sources of funding that are available specifically for enhancing the economic value of sport. The reason is that the South African sport system is not effectively coordinated and aligned to optimally exploit all available opportunities. A lot of countries such as Nigeria and Egypt today are actively involved in putting in place well-aligned, coordinated and integrated sport systems that are functional and performance-orientated. These countries have woken up to a simple but important fact—that well-aligned and coordinated sport systems produce high economic value.

The direct contribution of sport to growth domestic product (GDP) varies from country to country, but generally relevant literature indicates contributions ranging from 1–2% of the country's GDP. The South African contribution to sport is estimated at 2.1% of the total GDP; this was approximately R41 billion to the economy in 2007. Sport has shown the highest growth in the South African economy since 2009.

3.6 INTERPRETATION OF AFRICAN PROFESSIONAL FOOTBALL MODELS

Andreff pointed out as long ago as 1988 that sport events and sport competitions do not make the people of Africa forget underdevelopment, poverty, hunger and illiteracy. Regardless of government policy declarations, sport is neither a top priority in the state budget nor a pillar of the country's education system in an overwhelming number of African countries. The majority of African countries even today are still dependent on foreign aid, the importation of sports goods and equipment, and money from multinational sponsors (Andreff, 1988). Moreover, any assessment of the football economy in Africa is hindered by missing data: the lower the level of economic development, the lower the availability of data. Most economic studies done on sport confirm economic development as a very significant determinant of sport performance and sport business activities (Andreff & Szymanski, 2006).

Against the background of economic underdevelopment it seems as if government becomes the main sponsor of sport events in many African countries, especially football events. About 80% of African governments subsidise sports federations. With the exception of football, the amounts of subsidies are too low to secure sporting activities all year long. The talent drain of talented African football players to Europe and North America is another major consequence of football underdevelopment and lower sports performance in Africa. This phenomenon is largely fuelled by the wage gap, which is roughly 1:20 between the African and French football markets (Andreff, 2001). In many European professional football leagues, Africa is utilised as a nursery for talent development and provides a huge pool of labour. According to Andreff (2001), this phenomenon is not only true for football in Africa, but also for other developing countries such as Brazil. Talent drain undermines the sporting substance of African countries and their capacity to commercialise it. It diverts the few most talented athletes, who have managed to benefit from the rare domestic coaches and sports facilities. In some cases it even erodes the capacity of the home country to use its most talented athletes in international competitions, partly explaining the poor performance of developing countries in world sports events. For instance, European professional clubs did not release football players from Africa for selection to their domestic national teams to play in matches of the 22nd African Cup in 2000. The African Cup is nicknamed the "cattle fair" because a number of well-known European club managers, coaches and players' agents attending it with the primary objective of recruiting talented new players. Furthermore, at the Sydney Olympics in 2000, Cameroon, Nigeria, and Morocco had to compete without some of their star football players, in spite of article 38 of FIFA rules which is supposed to compel clubs to release players selected for

national teams. The talent drain turns into a brain drain to some extent when it affects football coaches and managers. Benny McCarthy for instance, a former national player and still the top goal scorer for South Africa, was appointed an assistant coach of a Belgian professional football club on 7 September 2015 and is now lost to South African professional football. (Weaver, 2015).

African football is dominated by one important reality: a paucity of financial resources when compared with the dominant soccer nations of Europe and the world. The facilities and infrastructure necessary to build a professional football programme are simply not available throughout most of Africa. South Africa and Nigeria have the largest GDPs of any African nation but their national teams are only ranked 72st and 53rd respectively in the world. The vast majority of the top-ranked football nations have a much larger GDP than South Africa and Nigeria. GDP alone, however, cannot be considered an indicator of a nation's football success. Ivory Coast currently has the top-ranked national team, but it is, by no means, the wealthiest country on the African continent. When compared to the rest of the world, African football teams fare surprisingly well considering their lack of resources. Ivory Coast and Ghana have the lowest GDPs per capita out of all teams in the Top 25 and rank 17th and 23rd respectively, compared to a country like Norway, ranked 47th – this despite having a GDP per capita over 30 times greater than that of the Ivory Coast (Weaver, 2015).

Despite the lack of organisation and infrastructure in most African countries, football is an extremely popular sport, and according to African soccer expert Paul Darby, African teams have “emerged as credible challengers to the pre-imminence of South America and Europe” (Luna, 2013, p. 21). It has been a truly remarkable accomplishment for nations like Ghana, Nigeria, and the Ivory Coast to make an impact in large international football tournaments. The success of these national teams, however, has done little to develop the infrastructure of the game at home. Instead the successful players from these nations leave at an early age to ply their trade in Europe, in particular professional football leagues. The leagues of England, France and Spain benefit from the talents of these African footballers, but their homelands receive very little monetary benefit. The challenge for African professional football in future will be to find a way to capitalise on the talents of their players and reap the benefits of producing such world-class talent.

South Africa and Egypt are exceptional among African football-playing nations. Both countries have thriving national professional football leagues with lucrative television and sponsorship deals, and even more importantly they are able to retain many of their star players in their respective domestic leagues. Both countries lose stars to the top leagues of Europe, but the majority

of the players in their senior national team play in their respective domestic leagues. In the 2013 national South African squad, 18/30 players played in domestic leagues. Egypt boasts a similar number with 19/30 players staying in Egypt. This is radically different from the situation in the rest of Africa. For example, in 2015, Ivory Coast had 19/23 playing in other countries, mostly in Europe, and in September 2015 Nigeria had a team that had 25/30 playing abroad and mostly in Europe.

It seems as if both South Africa and Egypt benefit from unique advantages that the rest of the continent does not have; but nevertheless this shows that African domestic football could be economically and commercially successful given the right circumstances and appropriately business model.

The Egyptian Premier Football League has been unusually successful by African standards. This can be attributed to the interest of the Arab nations in Egyptian football. The Egyptian Premier League has for many years marketed their games to both Egyptian and Arabic television networks. In 2011, the Egyptian Football Association (EFA) sold television and broadcasting rights for the Egyptian Premier League to Qatar-based Al Jazeera Sport for US\$2.6 million, making it the first international TV network to show the Egyptian Premier League. Domestic Egyptian television and broadcasting channels Modern Sport, Modern Kora, Channel 2, Alhayat 2, Dream, Nile Sport, Almasriya, Channel 3 and Alahly TV broadcast matches from the domestic league.

Unfortunately, the Egyptian Premier League has faced trouble in recent years due to the country's political unrest. The 2011/2012 season was cancelled in the wake of the country's worst football disaster, when riots during Masry's home match against Ahly Ahlawy left 74 Ahly fans killed. After 21 culprits were sentenced to death, violence continued and Ultras Ahlawy burnt down the EFA headquarters. Consequently, spectators were banned from stadiums, making television the only option for fans to watch games and seriously impacting match-day revenue. The spectator ban created a financial crisis for the Egyptian Premier League. In April 2013 the EFA, aiming to raise at least US\$17.3 million, auctioned off the premier league's television broadcast rights for the next three years (2013–2016). This auction was open to Egyptian and foreign television broadcasters and marketing companies. On 27 June 2013, however, the 2012/2013 season was cancelled before the final round when the Ministry of Interior announced that it would be unable to secure local or regional matches during the upcoming period of anticipated protests. For the 2013/2014 season, the EFA decided to expand the professional football league from two groups of nine teams to two groups of 11 teams. The most successful on-field professional football club team in Africa, Al-Ahly, is in the Egyptian Premier League. Al-Ahly is the most successful team in the history of the

CAF Champions League.

While Egypt and South Africa are clearly special cases, their successes show that domestic professional football leagues can be successful in Africa. South Africa has shown the benefit of hosting large football-related events, although African football still lags far behind Europe economically but Egypt and South Africa have shown the potential to bridge the gap and create a stable, successful domestic football league in Africa should a viable BM be developed and implemented.

While there is widespread adoption of the contemporary BM, especially as professional football continues to grow in Africa, it is not without its problems. One is a problem that has also appeared in American baseball, that of domination by the rich clubs. In Europe the outcomes of games, especially in the major sport of professional football, are increasingly determined by the financial capacity of clubs. In the absence of a player draft as in North American professional sport, the wealthiest clubs can skim off the exceptionally talented players so as to become even more competitive. They then earn more money, which in turn enables recruitment of even more top players. These powerful clubs have a higher probability of qualifying for and winning European Cup events. The European super-league was one such attempt to institutionalise the domination of the wealthiest clubs, allowing the others to more realistically compete for prestigious national events, according to Andreff et. al. (2002). A second problem, which has cropped up in Europe as in Africa, is that of television taking greater control of events to maximise exposure. There has been discussion, for instance, of changing the European football game into one of four quarters rather than two halves (Gratton et al., 2012).

Another issue is what appears to be growing corruption in European professional sports, especially football. These are particularly relevant as most of professional clubs lack accountability in the governance of their affairs and are often accused of corruption (Lee, 2005). There have also been increased revelations of doping by football players in order to enhance performance and relieve the fatigue of playing two or three matches a week.

In the previous paragraphs the researcher reviewed, examined and compared European professional football BMs and an African football BM. It is clear from this analysis that the new BM places less emphasis on gate receipts, subsidies, and sponsors, and more emphasis on vertical integration through a corporate structure that pursues a strategy of maximising merchandising and television revenues. Clubs using what is called the old traditional BM will be under increased financial pressure and less able to compete with top-level teams. These variables that emerge from the

European business of professional football were tested using historical financial data to test relevance, reliability, and consistency over time. The most important of these variables was chosen and tested in the African context. In addition to using data from expert documents, and interviews with professional football experts, a further analysis was performed to test the relevance of successful variables in African professional football.

From the research done so far there seems to be no football BM in Africa. The only work published only focused on French-speaking countries and very narrowly on labour Andreff et. al. (2002). Both the South Africa and Egyptian football models appear to be mirror images of the European football model with the strong characteristics of underdeveloped African economies. The differences between South African and Egyptian football and Europe seem to be the size and scale, local versus globalised television rights, marketing capacities to exploit commercial rights, technological advancement as a new source of revenue (new media), and the ability to keep talented players. While the models of Africa and Europe are similar, the African football BM is associated with the characteristics of underdeveloped African economies, especially lack of finance for professional sport.

Until Africa puts in place an elaborate and sustainable plan in place to develop modern sporting infrastructure, fund sports, and also employ or appoint the right qualified people for the job who really understand sports marketing, it will continue to falter at major international sporting events and lose its talented athletes to other countries where the pasture is greener. Also, and most importantly, Africa's football BM will continue to lag behind that of Europe and the rest of the world.

3.7 COMPARING EUROPEAN AND AFRICAN PROFESSIONAL FOOTBALL MODELS

There are similarities and differences in the variables used in the framework of analysis.

Value proposition

In European professional sport models leagues and clubs have profit maximisation as an objective. As a result they seek to influence the evolution of their league and clubs in a way that creates the highest possible level of profit by seeking a league regulatory structure that minimises players' bargaining power and wages. In Africa, with limited profit maximisation as objective, leagues and clubs seek to influence their evolution so that resources are allocated

in such a way as to yield optimum satisfaction for their fans first and commercial profits for their club owners second.

Target customers

Target customers, focuses on the nature of the consumers' (fans') interest in sport as the principal support of the system. The evolution of professional sport production is about maintaining or increasing fan interest, and by improving the competitive balance and or the quality of play in the competition. In Europe, due to the well-organised market structure of professional football, a high competitive balance between the leagues and clubs, and a high level of household income, there is a significantly higher attendance – 80% on average—that results in higher gate revenues and higher merchandises sales. In Africa, the attendance average is 30%, resulting in lower gate revenues and merchandise sales.

Infrastructure and capabilities

Infrastructure and capabilities shows that spectators do not know in advance whether the match will meet their expectations. Therefore, building up a reputation is necessary to be successful in the market. For example, if a football club is famous for good performance, the uncertainty about the quality of the game is reduced and the spectators might be more likely to attend the game. In Europe, building up reputation and brand management is the first activity to create economic value in sport organisations and the reputation of both the home and the away team should be a part of the value creation model for football matches.

Financial aspects

Financial aspects, leagues and clubs earn revenue from gate tickets, sponsorship, sale of television and media rights, and merchandise. In 2.4.1, the researcher provided data that show that the EMEA region was worth US\$46.3 billion, with Africa accounting for a very small percentage of the total global sports market. Given that the significant differences and changes have been in the growth of revenue and the resultant growth in scale of commerciality of professional football business, the focus from now is on revenue analysis as the single biggest change that has taken place in the professionalisation of sport. Furthermore, this element of the model (financing aspects) indicates that business activities focusing on commercial revenue generation are the nexus of economic activity. It is important to understand the holistic nature of the structure of the economic production for a strong comparative analysis, especially when one takes into account that the challenges may lie with the governance structure. In this study,

therefore, the focus of comparative analysis is on revenue-generating business activities in professional football in Europe and Africa.

Other key issues

Other key issues, refers to elements necessary to make professional football work and produce competition and business results. It includes macro and micro economic factors, availability of available coaching and administration skills, mega-industry athletic equipment and major branded suppliers such as Nike, fantasy leagues (virtual leagues), sport camps and sport academies, sport-based publications and globalisation of sport. According to Bouchet and Kaach (2004), it seems as if the African football BM is in general characterised by all the features that are associated with sports in developing countries. In Europe, with well-developed physical education and sports participation; high private financing of sports and the presence of financing instruments for professional sport teams; higher GDP growth and household income; well-developed sports facilities and many world sporting events hosted; and high availability of qualified sports teachers, coaches, and facilities, the opposite is true.

The BM's analysed in previous paragraphs lead to the conclusion that a viable professional football business model could contain similar elements and sub-elements found in a generic business model. At the same time a viable professional football business model would also have to include unique elements focusing on reputation management and put more emphasis on sales and marketing in terms of the revenue model (financing aspects).

3.8 CHAPTER CONCLUSION

Chapter Three provided an investigation into the different BMs of managing professional football in Europe and Africa. It attempted an in-depth analysis of the different models and stated some of their shortcomings and possible future implications. The next chapter introduces the research methodology used in the study to establish the context for the results of the study.

CHAPTER FOUR

RESEARCH DESIGN AND METHODOLOGY

4.1 INTRODUCTION

This chapter describes in detail the research methodology used in this study to achieve the stated objectives of the study. Methodology can be described as the overall framework within which research is conducted (Gratton & Jones, 2010). Gratton et al. (2012) take the definition of methodology a step further by stating that, as a sub-field of epistemology, methodology might be called the “science of finding out”. This chapter describes the research philosophy, approach, design, data collection and data analysis used in the study. The sampling plan used is delineated before a description of the data collection methods is presented.

4.2 RESEARCH PHILOSOPHY

According to Li, Pitts and Quarterman (2008), research in sport management is guided by a paradigm, or interpretive framework, that breaks down the complexity of the research context according to a world view consisting of underlying assumptions, guidelines or standards that determine the research design. Literature on research methodology (Creswell, 2009; Gratton & Jones, 2010; Li et al., 2008) identifies positivist and naturalistic paradigms that guide scientific enquiry. Selecting an appropriate research philosophy requires the researcher to understand the underlying assumptions and logic of each philosophy. It therefore becomes necessary to contrast the primary assumptions of the positivist and naturalistic paradigms (see Table 8) to justify the selection of the research philosophy for this particular study.

TABLE 8: Philosophic assumptions underlying sport management research (adapted from Li et al. 2008:7).

POSITIVIST PARADIGM	NATURALISTIC PARADIGM
Values objectivity. Researcher cannot influence reality	Accepts subjectivity. Researcher can influence reality through interpretation
Applies deductive logic	Applies inductive logic
Analyses numeric data	Organises narrative data into themes/models
Utilises quantitative data	Utilises qualitative data (verbal)
Examines general theory/data to examine how it applies to a specific area of intent	Examines data about a specific phenomenon to determine how it applies to a larger conceptual framework
Utilises quantitative analytic tools and Techniques	Utilises qualitative analytical tools and Techniques

Based on the above comparative analysis of philosophical assumptions underlying sport management research, it was concluded that breaking down and analysing the complexity of viable BMs in professional football, necessitates that the researcher apply both a positivist and a naturalistic interpretative framework in this study. This rationale for this research philosophy is justified as follows:

- The researcher approached and analysed annual financial statements depicting the reality of professional football clubs objectively, using standardised financial analysis tools and techniques (positivist philosophy). At the same time, however, the researcher examined and interpreted the subjective reality of professional football models in specific geographical contexts (Europe and Africa). Data were also collected through the interactions of the researcher, qualitative interviews with experts in the professional football industry and document analysis (naturalistic philosophy).
- The researcher used deductive logic in analysing the conceptual theory of BMs (positivist philosophy) and inductive logic when appraising the BMs of professional football in their subjective reality (naturalistic philosophy).
- Objective numerical data reflected in the financial statements of the professional football clubs of Manchester United and Kaizer Chiefs were analysed (positivist philosophy). The researcher enriched objective numerical data with narrative data obtained from qualitative interviews and document analysis, and interpreted and organised it into themes to provide justification for the proposed BM for professional football in Africa (naturalistic philosophy).
- The researcher utilised a mixed-method research design merging quantitative methods through financial analysis (positivist philosophy) and qualitative methods in the semi-structured interviews (naturalistic philosophy).
- The researcher examined the general theoretical framework of BMs to clarify how it applies to the specific context of professional football (positivist philosophy). Concurrently the researcher examined the specific phenomenon of BMs in professional football in Manchester United and Kaizer Chiefs football clubs and compared and applied this to the general theoretical framework of BMs (naturalistic philosophy).

4.3 RESEARCH APPROACH

Li et al. (2008) postulate that research in sport management is conducted in diverse settings. Different research approaches could therefore be appropriate depending on the research question and research objectives. The research approach deemed appropriate for this particular study

involves an applied exploratory approach. An applied research approach refers to practical enquiry concerned with the development of new knowledge that can be applied in practical settings in sport management (Li et al., 2008). This research approach is reflected in the researcher's scientific enquiry into the status of BMs in professional football with the purpose of developing a viable BM for professional football in Africa. The research is also exploratory in nature as it explores and compares the state and effectiveness of current BMs in professional football through specific research objectives with the overall aim of designing a viable BM for managing professional football in Africa.

4.4 RESEARCH METHODOLOGY

This study adopted a mixed-method design. According to Creswell (2009), a mixed-method approach is one in which the researcher tends to base knowledge claims on pragmatic grounds. It employs strategies of enquiry that involve collecting data either simultaneously or sequentially to best understand research problems. Data collection also involves gathering both quantitative numeric information and qualitative text information, for example, so that the final database represents both quantitative and qualitative information. Creswell (2009) states that in using this approach the researcher bases the enquiry on the assumption that collecting diverse types of data best provides an understanding of a research problem. It also includes the analysis of both quantitative and qualitative data. The procedure for both qualitative and quantitative data collection and analysis needs to be conducted rigorously. Creswell (2009) states that a mixed-method study begins with a broad survey in order to generalise results to a population and then focuses on detailed qualitative, open-ended interviews to collect detailed views from respondents.

At the general level the researcher's rationale for choosing mixed methods is because of their strength in drawing on both qualitative and quantitative research and minimising the limitations of both methods. At a practical level, mixed methods provide a sophisticated, complex approach to research that appeals to those at the forefront of new research procedures. It can also be an ideal approach if the researcher has access to both qualitative and quantitative data. At the procedural level, it is a useful strategy to have a more complete understanding of research problems/questions that are complex.

The approach of this study in terms of a mixed-method research methodology was to seek out and conduct, first, a quantitative document analysis of audited financial statements of the EPL, Manchester United Football Club, South Africa's PSL and Kaizer Chiefs Football Club. Audited,

historical relevant commercial data were gathered and analysed from the annual audited financial records for the three financial years 2010, 2011 and 2012 of the above professional football organisations. The researcher chose the three years as the latest available data that are reliable and comparable. Expert research reports of reputable research houses in the business of sport and professional football (PwC and Deloitte & Touche) were used to collect financial data (Objective 1).

Qualitative data were gathered using narratives from semi-structured interviews and document analysis with relevant professional football experts in the professional football industry, as well as from the business of sport.

4.4.1 Research sampling

Literature on research methodology (Creswell, 2009; Gratton & Jones 2010; Li et al. 2008) identifies two basic approaches to sampling: probability and non-probability sampling. The overall aim of both approaches is to be representative of the research population or the phenomenon under study, but they employ different sampling techniques to achieve representativity. A non-probability sampling approach underlies data collection in this study.

4.4.2 Research population

A research population is the total units, groups or individuals relevant to the research topic to be studied. In the context of this study the research population is all professional football leagues and clubs in the world, as well as all individuals involved in the production of professional football on a global scale.

4.4.3 Target population

A target population implies the population that the research aims to generalise the findings of the research to. In the context of this research the target population is professional football leagues and clubs in Africa and Europe.

4.4.4 Accessible population

Li et al. (2008) describe an accessible research population as a sector of the target population that is available to the researcher at the time of enquiry. In this research context the PSL, EPL, Manchester United Football Club and Kaizer Chiefs Football Club are taken as the accessible populations for this study.

4.4.5 Research sample technique and sample size

A non-probability sampling approach is applied in this study with purposive or judgmental sampling as the specific sampling technique. When applying purposive or judgmental sampling as a specific

sampling technique the researcher handpicks the units of analysis or individuals accessible at the time of the study. As purposive sampling is suited for exploratory studies (Li et al., 2008), this specific sampling technique is deemed appropriate for this study. The purposive sample includes both organisations and individuals directly involved in the successful commercialisation of professional football.

The researcher applied his knowledge of professional football and judgment to purposively include the following units in the sample:

1. The English Premier League (EPL)
2. South African Premier Soccer League (PSL)
3. Manchester United Football Club
4. Kaizer Chiefs Football Club

The above units are included in the sample based on their commercial success in professional football in Europe and Africa.

At least one individual expert or their organisation's reports directly involved in commercialisation of the professional football from the following organisations are also included in the sample:

1. One senior executive from EPL (UK)
2. One senior executive from PSL (SA)
3. One senior executive from Man U. (UK)
4. One senior executive from KCFC (SA)
5. One senior executive from Deloitte (UK)
6. One senior executive from PwC (SA)
7. One senior official from the Department of Sport and Recreation South Africa (SRSA)

Senior executives from Deloitte and PwC were selected based on their direct connection to the viable business of professional football and their reputable research reports on the commercial viability of professional football.

4.5 DATA COLLECTION

Data collection typically follows from the research question. Creswell (2009), however, warns against the notion of simplifying the process of data collection to the actual types of data, as data collection involves various interrelated activities that range from the location of research participants, gaining access and establishing rapport, collecting data, exploring field issues and

storing collected data. This study relied on multiple data sources that included qualitative semi-structured interviews and quantitative financial documentary analysis of three years' annual financial reports. Data collection occurred between January and September 2015. Stated data collection instruments are quantitative and qualitative in nature and are consequently compliant to collect data that represents multiple realities.

4.5.1 Quantitative data collection

Quantitative data collection involved desktop research analysing secondary data obtained from 2010–2012 audited financial statements available in the public domain from professional football leagues and clubs included in the research sample. Quantitative secondary data were also collected by deductively analysing expert research reports of Deloitte and PwC on the commercial and financial viability of professional football (Objective 3). Where expert research reports were not available in the public domain, they were purchased by the researcher.

4.5.2 Qualitative data collection

In a mixed-method research design, qualitative data are often collected to supplement, enrich and contextualise quantitative data. In order to drill deeper, in-depth questions, such as how and why one professional football club performed better than the other, were required. In addition to the quantitative audited historical financial reports and expert research reports, the researcher conducted face-to-face and telephonic interviews using semi-structured questions with football business experts as indicated. Interviews involved semi-structured and generally open-ended questions. The semi-structured approach was used to ensure that the researcher asked consistent questions. Specifically, the researcher's intent was to elicit views and opinions from football business experts. Qualitative interviews were considered to be appropriate, as some knowledge required to complete this research is held in the individual and corporate memories of the purposively selected individuals and organisations. A draft BM for professional football in Africa emerged from the analysis of the quantitative data resources as indicated. The researcher used this draft model as a basis for the semi-structured qualitative interviews with football business experts included in the sample. The aim of the qualitative semi-structured interviews was therefore to appraise and validate the draft BM against the views, opinion and critique of experts in the field of professional football.

The researcher developed a semi-structured interview protocol reflecting the following:

- A set of topics/themes and sub-themes to guide the interview and to provide consistency between interviews.
- Informed consent was obtained from each interviewee prior to the interview.

- Each interview was recorded with the permission of the interviewee. Handwritten notes by the researcher complemented each recorded interview.
- Possible probing questions were developed to obtain richer views and opinions from interviewees.
- Further document analysis of expert reports was conducted to obtain richer text to enrich the analysis.

A framework of key variables and influencers of effective BMs was deduced from the quantitative analysis of financial records of the sample respondents, as well as by exploring effective generic BMs and BMs in professional football. These key variables were further explored and appraised through the qualitative interviews and document analysis. The following questions on the key variables guided the qualitative data collection:

Value proposition

- How important is it for the Professional Football League and/or clubs to have a clear objective as part of their value proposition?

a) very important

b) important

c) not important

- How important is it for a professional football leagues/teams to have brand development and reputation management as part of their value proposition?

Target customers

- Sports fans are the principal support of the entire system. How important is it for leagues and clubs to develop a good relationship with their fans?

a) very important

b) important

c) not important

- In terms of revenue generation (gate revenue, merchandise sales), what are important variables for increasing fans' match attendance and positive affinity to the team/league they support?

- Is there any relationship between fans as principal supporters and their ability to attend a match or buy a jersey and their level of household income?

Infrastructure and capabilities

- How important are marketing, sales, and reputation management skills and capabilities for professional football leagues and clubs?
 - a) very important
 - b) important
 - c) not important
- Why are effective distribution networks in terms (ticket sales, retail stores, media, partnerships) critical for successful revenue generation?

Financial aspects

- Are financial aspects important as key elements of a professional football BM?
 - a) very important
 - b) important
 - c) not important
- What are key sources of revenue? Which ones are important and why?
- What are possible future revenue sources for professional football leagues and teams?
- How does the leagues and clubs financial aspect impact on competitive balance?

Other key factors

- Is the size of the economy and the household incomes of the country where the professional football league and clubs are operating from important, and if so why?
 - a) very important
 - b) important
 - c) not important

- What skills are important to run a professional football league and/or club?
- In your view, what makes the European professional football model generate higher revenue than that of African professional football clubs?

4.5.3 Document analysis

This study also relied on secondary documentary data produced independently of the researcher for data collection. These documents describe functions and values and how various people define an organisation. Documents used for external communication are those produced for public consumption and include newsletters, reports, public statements, news releases and information available on the Internet. Existing documentary data were readily available to the researcher. Documentary data used in this study that were available in the public domain and included audited financial records, financial data tables, and literature on generic BMs.

TABLE 9: Overview of data collection methods linked to respondents in this study

Respondents in sample	Data collection sources
English Premier League	Documentary sources in the public domain and published financial records



	Annual Review of football finance, 2012 and 2013 EPL constitution
Manchester United Football records	Documentary sources in the public domain and Audited financial reports Annual Review of football finance, 2012 and 2013 and Manchester United plc. audited Annual Financial Report 2012
South African PSL	Documentary sources in the public domain and financial reports available in reports PwC Entertainment and Media report 2011, 2012 and 2013, and Annual Financial Report 2010, 2011, and 2012
Kaizer Chiefs	Documentary sources in the public domain and published financial records PwC Entertainment and Media report 2011, 2012 and 2013
Sport and Recreation SA	Semi-structured interviews and documentary sources in the public domain
PwC SA	Semi-structured interviews and documentary sources in the public domain PwC Entertainment and Media report 2011, 2012 and 2013
PwC UK	Documentary sources in the public domain PwC Global Outlook for Sport 2011 and 2013
Deloitte UK	Semi-structured interviews and documentary sources in the public domain Annual Review of Football Finance, 2012 and 2013

4.6 DATA ANALYSIS

The following section provides clarity on the procedures used in analysing the data.

4.6.1 Quantitative data analysis

Quantitative data collected from financial statements were analysed and interpreted according to the International Financial Reporting and Analysis Standard (IFRS) for interpreting financial data Certified Financial Analyst Institute (CFA Institute), (CFA Institute, 2013). This method examines and interprets the performance of a business unit (professional football club) in the context of its industry (professional football industry) and economic environment.

Financial statements were analysed in terms of:

- financial forecast and estimates
- percentage growth rates or declines
- relative size of the financial variables

The researcher's analysis of the leagues' and clubs' historical financial results and financial positions and the comparisons between them was based on quantitative data sets (figures) extracted from the latest publicly available clubs' or leagues' statutory financial results and expert research reports. These historical figures were independently audited, meaning that an external auditor was used to review the entire financial record and provided an objective assessment of the financial statements. These financial statements were documents of legal entities registered in the UK and the Republic of South Africa.

In addition, each club's and league's financial data is prepared on the basis of IFRS, thereby allowing a fair comparison between the clubs and leagues, as they are prepared on the same basis. IFRS is the Generally Accepted Accounting Practices in the field of finance and accounting. Where the financial results of the club have changed or may change in the future due to a change in the basis of accounting practice, the researcher strove to use the same standard to ensure validity of the results was maintained. In relation to estimates and financial projections of club and league finances, actual results were likely to be different from those projected because events and circumstances do not occur as expected. In cases where these differences were material, the researcher ensured that the instrument of analysis (Financial Reporting and Analysis Method) was used in a standard manner to eliminate any possible bias.

The Financial Reporting and Analysis Method was applied as follows:

Step 1:

A three-year table of financial results was drawn up using the comprehensive commercial variables derived from the combined Generic Business Model and Harvard Business of Sport Models, focusing only on financial aspects as an element that has proven to be key in the growth of the business of professional sport. Where three-year financial data were not available, its possible bias was stated and determined by availability of historical financial data on a regular basis.

Step 2:

Evaluating the professional football club's ability to grow its total revenue, to positively grow its operations and to generate enough cash to meet obligations and pursue new opportunities (CFA Institute, 2013). Revenue generation was determined and the relative size of each variable's contribution in percentage terms was determined.

Step 3:

Based on step 2 above, a detailed comment was given per identified variable in terms of its importance in the context of the overall model.

Step 4:

Using the Financial Reporting and Analysis Framework, the major questions and objectives of the research study were tested.

Step 5:

The final step of the analysis resulted in the presentation of results in tables and/or figures and interpretation of results using the Financial Reporting and Analysis Framework.

Once the financial analysis was complete and results were available, a comparative analysis was performed from sets of analytical results to determine trends, patterns and ultimately recommendations for developing a viable professional BM for professional football in Africa.

4.6.2 Limitations of quantitative data

Financial information regarding football clubs and leagues is readily available in the public domain; however, where such information is privately held, the researcher endeavoured to make necessary adjustments to clubs' and leagues' financial data to enable more meaningful comparisons without introducing bias and without impacting the validity of the study. This included the elimination of significant non-football commercial data deemed irrelevant in the context of the study.

Where some differences in financial data between clubs and leagues over time occurred due to different commercial arrangements and ways in which transactions were recorded, the researcher used both the GAAF and IFRS framework to allow consistent quantitative comparisons and analysis.

4.6.3 Qualitative data analysis

Qualitative data obtained from semi-structured interviews and document analysis of expert reports were analysed along the following steps:

Step 1:

In this step the researcher read and explored the collected qualitative data. The aim was to get a general sense of the data and an opportunity to reflect on its overall meaning. The researcher looked at the general meaning of what the interviewees said and also what qualitative information could be collected from financial reports in order to enrich the data, evaluated the essence of their ideas and formed an impression of overall depth, credibility and use of information.

Step 2:

Following the initial broad exploration of qualitative data from the semi-structured interviews and expert reports, data were organised and prepared for analysis. This included transcribing interviews, typing up notes taken during the interviews and experts' reports into five key variables identified during the analysis of the literature review, and cataloguing any visual material and arrangement of data into different types according to the five key variables of the business model. The following five key variables emerged from the literature review and were tested by quantitative data analysis and were found to be important contributors to a viable BM for professional football:

1. Value proposition
2. Target customers
3. Infrastructure and capabilities
4. Financial aspects
5. Other key issues

Step 3:

The researcher made use of passages from interviews and expert reports to convey the findings of the analysis. This took the form of a discussion. From this a process model was developed that captured the essence of the detailed analysis.

Step 4:

In the last step of qualitative data analysis the researcher interpreted the findings of the interviews and integrated it with the findings of the quantitative analysis.

4.7 INTEGRATING QUANTITATIVE AND QUALITATIVE DATA

Techniques designed to combine the results of qualitative and quantitative studies can provide researchers with more knowledge than a separate analysis. Researchers are increasingly using designs that combine qualitative and quantitative methods (Lingard, Albert & Levinson, 2008). A lack of integration between qualitative and quantitative data (Lewin, Glenton & Oxman, 2009) can limit the amount of knowledge generated by mixed methods studies. Without integration, the knowledge yield is equivalent to that from a qualitative study and a quantitative study undertaken independently, rather than achieving a whole greater than the sum of the parts.

4.7.1 Triangulation protocol

Researchers will often use qualitative and quantitative methods to examine different aspects of an overall research question. Data are collected and analysed separately for each component to produce two sets of findings. Researchers then attempt to combine these findings; the process is called triangulation. The term “triangulation” implies corroboration between two sets of findings to describe a process of studying a problem using different methods to gain a more complete picture (Creswell, 2009). In this study the researcher combined qualitative and quantitative data in the triangulation process.

4.8 RESEARCH ETHICS

Blaxter, Hughes and Tight (2001) suggest that a common cause of ethical challenge is conflicts of interest between the researcher and the researched. The researcher may be excited about his or her research idea, and be keen to collect in-depth high-quality data from those most closely affected by whatever they are researching. There is, however, a risk that the researcher may be tempted to consider unethical research practice in order to try to obtain and/or retain some of the data. This was addressed by ensuring that relevant data was received by using a questioner and audited financial statements wherever possible.

4.9 CHAPTER CONCLUSION

Chapter Four provided a comprehensive description of the research process utilised in the study. The research methodology, sampling method, research population and data collection method were specified. The Financial Reporting and Analysis Method of interpreting financial data was used to analyse the quantitative data. The next chapter presents and interprets the results.

CHAPTER FIVE

ANALYSIS AND INTERPRETATION OF RESULTS

5.1 INTRODUCTION

Prior to making any analysis, it is essential to understand the aim and objectives of the analysis. This is particularly important in analysis of financial statements because of the numerous available techniques and substantial amounts of data (CFA Institute, 2013). For other analytical tasks, articulating the aim and objectives requires the analysts to make certain decisions. The aim and objectives of the analysis guides further decisions about the approach, the tools, the data sources, and the format in which to report the results of the analysis, and the relative importance of different aspects of the analysis (CFA Institute, 2013). Having clarified the aim and objectives of the analysis, the analyst proceeds to compare the historical performance of two to three companies operating in a particular industry, using the following specific questions: What has been the relative growth rate of the companies relative to each other, and which variables account for that growth, and their relative importance due to size? Once the data have been processed, the next critical step is to interpret the output. The answer to any financial analysis is seldom a numerical answer alone. Rather, the answer to the analytical questions relies on the analyst's interpretation of the output and the use of this interpreted output to support a conclusion or recommendation. In support of such a decision, the analysis would cite such information as relative performance, expected future performance, quality of management, and whatever other key issues are important in reaching the decision (CFA Institute, 2013).

In Chapter One, the aim and objectives of this research analysis were stated. For clarity of analysis and interpretation they are re-stated here. The overall aim of this study is to explore and propose a viable BM for effective management of professional football in Africa. Specific objectives are to:

1. Explore the business context and models of professional sport and professional football in an international context.
2. Explore and compare quantitative historical financial data on identified variables between European models of commercially successful professional football models and African models.
3. Explore the qualitative views of professional football experts in the business of sport on the relevance and scope of variables contributing to commercially viable professional football models.

4. Integrate collected quantitative and qualitative data into a viable BM for management of professional football clubs in an African context.
5. Make recommendations to South African and African professional football clubs and leagues to improve the commercial viability of their clubs.

The research methodology to collect the data to answer these stated aim and objectives were discussed in detail in Chapter Four. In particular the researcher discussed the data analysis steps to be undertaken in analysing both quantitative and qualitative data sets. The researcher stated upfront that in order to deal with the challenge of a convergent parallel mixed-method design in terms of how to actually converge or to merge the data sets from both approaches, the researcher would use a side-by-side comparative analysis. These comparisons form the backbone of the discussion in this chapter. The researcher starts by reporting on the results of the exploration of the business context and models of professional sport and professional football in an international context (Objective 1), presents quantitative analytical results (Objective 2), and then discusses the qualitative findings that either confirm or reject the quantitative analytical results (Objective 3). Results are according to the identified aim and objectives as set out in Chapter One. Results are first presented in comparative table forms and then discussed and interpreted.

5.2 RESULTS AND INTERPRETATION

Results are presented according to the objectives of the study. The international business context of professional sport and professional football was explored through document analysis, a generic BM, the Harvard Business Model of Sport, and the Borland's Economics of Professional Team Sport Model. The theoretical framework and elements of the above were presented and discussed in Chapter Three.

5.2.1 Objective 1: Explore the business context and models of professional sport and professional football in an international context

A primary finding of the analysis indicated that professional football BMs contain similar variables to generic BMs. In addition to the similarities, professional football BMs also showed unique features, such as reputation management, and put more emphasis on sales and marketing (infrastructure aspects) and gate revenue, television rights, sponsorship, and merchandise (financial aspects) than generic BMs do. It therefore seems that professional football BMs are better suited for the analysis of professional sport organisations. Whether a generic BM, the Harvard Business of Sport Model, or Borland's Economic Production of Professional Team Sport Model has to be

used for a value analysis depends on the value creation logic of the professional sport organisation in focus. The value analysis of professional sport organisations, in particular, shows the importance of reputation for some sport organisations. The value proposition points out the importance of integration. In addition, professional sport organisations' financial aspects are better suited to analysing professional football business especially gate revenue, sponsorship, television and broadcasting rights and merchandise that have influenced the sport significantly in the last 10 years in particular.

Up until now, the generic BMs appeared as an alternative for sport organisations in the sense that a sport organisation can only create value according to one of the models. BMs, however, have to be seen as a flexible set. The models can be combined individually for each unique sport organisation in focus. Professional sport organisations will seldom operate according to just one BM. A football club is one example. A match against a competitor can be organised like a value proposition. The teams, the spectators, beverages and food have to be carried to the arena. The production takes place in a similar way every week. The training of the athletes will, however, be organised according to the Harvard Business Model sport since coaches work together with athletes to solve individual problems. Still, the matches can also represent Borland's Economic Production Model of Professional Sport in that clubs offer a platform (the match) for people to meet each other. Hospitality suites and advertising in the arena are just two examples of getting in contact. In this sense, the game is a value proposition. Thus, it is important to bear in mind the perspective of a value creation analysis. If the organisation of the game is in focus, a value proposition will be more appropriate. If the training of athletes should be analysed, the Harvard model will be more appropriate. If the attendance of spectators is in focus, both Harvard and Borland's models will be the models for value creation analysis. Still, a single BM can be the dominating BM for certain organisations depending on the objectives of the organisation.

Exploring the BMs indicated that a combination of the generic BM and the Harvard Business Model of Sport seems to be a viable model for professional football to structure its operations.

Table 10: Proposed elements and sub-elements of a business model for professional football.

ELEMENTS	SUB-ELEMENTS
1. Value proposition	Competition (games) Market structure of professional sport (leagues, teams, players)
2. Target customers	Sports fans as principal support of the entire system (gate revenue, merchandise)
3. Infrastructure and capabilities	Marketing, sales, and reputation management distribution networks (ticket sales, retail stores, media, partnerships)
4. Financial aspects	Merchandise Sponsorships Gate revenue Television and broadcasting
5. Other key factors	Size of the economy Availability of facilities and marketing skills

The discussion and analysis that follow presents the results of an exploration on how professional football clubs conduct business in Europe and Africa and are presented in Table 11.

TABLE 11: Comparison of European and African Professional Football Models

ELEMENTS OF THE GENERIC BUSINESS MODEL	EUROPEAN BUSINESS MODEL	AFRICAN BUSINESS MODEL
Value proposition Competition (games) Market structure of the professional sport (leagues, teams, players)	Profit maximisation Open leagues (with promotion and relegation). Large number of clubs. Well-organised with high competitive balance. Results are mostly unpredictable.	Limited profit maximisation Open leagues (with promotion and relegation). Large number of clubs. Limited organisation with low competitive balance. As a result most matches are predictable.
Target customers Sports fans as principal support of the entire system (gate revenue, merchandise)	Significant but limited. Average attendance per match is 80%.	Limited as a result of lower household income and lack sophisticated marketing and sales infrastructure. Average attendance per match 30%.
Infrastructure and capabilities Marketing, sales, and reputation distribution networks (ticket sales, retail stores, media, partnerships)	More advanced and sophisticated marketing and distribution channels.	Very basic marketing and distribution channels for most of Africa except Egypt and South Africa.
Financial aspects Gate revenue Sponsorships Television and broadcasting Merchandise	Significant but limited Is growing second-largest Fastest-growing and largest source of revenue Small and growing	Limited Is growing and largest Fastest growing and second-largest source of revenue Small and stagnant
Other key factors Economic Skills Facilities and Globalisation of leagues	High GDPs and household incomes Highly developed skills sets Well-developed facilities Highly globalised football league	Low GDPs and household incomes Lowly developed skills sets Lower availability of facilities No globalised football league

Table 11 presents an analysis of and comparison between the European and African models of professional football. From this table it is clear that there are similarities and differences in the elements used in the framework of analysis. For instance, in **Value proposition** as an element, European professional sport leagues and clubs have profit maximisation as an objective. As a result they seek to influence the evolution of their leagues and clubs in a way that creates the highest possible level of profit by seeking a league regulatory structure that minimises costs. In Africa, with limited profit maximisation as objective, leagues and clubs on the other hand seek to influence their evolution in such a way that resources are allocated to yield optimum satisfaction for their fans first, before commercial profits for their club owners. **Target customers** focuses on the nature of the consumers' (fans') interest in sport and fans as the principal support of the professional sport

system. The evolution of professional sport production is mainly about maintaining or increasing fan interest by improving the competitive balance and the quality of play in the competition. In Europe, due to a well-organised market structure of professional football, a high competitive balance between leagues and clubs, supported by a higher level of household income, leads to a significantly high attendance (80% on average) that subsequently results in higher gate revenues and higher merchandise sales. In Africa, on the other hand, the average match attendance is 30%, resulting in lower gate revenues and merchandise sales, due to lower GDP growth, lower household incomes, and lack of brand awareness and reputation management. High fan attendance in Europe could also be attributed to high brand awareness and reputation management of leagues and professional football clubs, higher household income and a higher GDP.

Infrastructure and capabilities suggest that spectators do not know in advance whether the match will meet their expectations. Building up reputation and brand awareness is therefore necessary for success in professional football. For example, if a professional football club is known for good performance, the uncertainty about the quality of the game is reduced and spectators might be more likely to attend the game. In Europe, building up brand awareness and reputation management is a primary focus to create economic value in sport organisations. The reputation of both the home and the away team should thus be a part of the value creation model for professional football matches. In Europe, sophisticated and cutting-edge tools are used for marketing and sales of a football match that rely on the reputation of the leagues and clubs and take place before the beginning of the match. In Africa, the unavailability of sophisticated and cutting-edge tools for marketing and sales coupled with low availability of reputational, brand management and development skills result in limited fan attendance, limited merchandise sales, and limited revenue streams.

Financial aspects, leagues and clubs earn revenue from gate tickets, sponsorship, sale of television and broadcasting rights, and merchandise. In Chapter Two the researcher provided evidence that EMEA as one region contributes US\$46.3 billion to the global sport market, with Africa accounting for a very small percentage. Africa's contribution is so small that it does not even have a category of its own. Given that the significant differences and changes in professional football business were recorded in the growth of revenue and the resultant growth in scale of commerciality, the focus in this study is on revenue analysis as the single biggest change that has taken place in the professionalisation of sport in the last three decades. It is clear from European and African professional business of sport trends that the size of the European sport market is significantly larger than that of the African sport market. Furthermore, financial aspects as a business element indicate that business activities focusing on commercial revenue generation form the nexus of economic

activity. In this study, therefore, the focus of comparative analysis is on revenue-generating business activities in professional football in Europe and Africa.

Globalisation of television and broadcasting rights indicates another area where Europe has managed to generate significant revenue, as the rights can now be sold across the world and television stations are prepared to pay more money for them. In Africa, on the other hand, most of the football leagues and club brands are not necessarily well known globally. As a result, the private sector that can afford to buy sponsorship rights mostly buys from the local country market, as local African club brands do not have global appeal. Television stations on the other hand buy regional continental rights, as they are still relatively affordable because most of the professional football leagues and brands are not well known or globalised.

Other key issues as elements of the BM refer to elements necessary to make professional football function and produce competition and business results. They include macro and micro economic factors, availability of coaching and administration skills; mega industry athletic equipment and major branded suppliers such as Nike; fantasy leagues (virtual leagues); sport camps and sport academies; sport-based publications; and globalisation of sport. According to Bouchet and Kaach (2004), it seems as though an African football BM is in general characterised by all the features that are associated with sport in developing countries, namely underdeveloped physical education and sport participation; low financing of sport and absence of financing instruments for professional sport teams; low GDP growth and household incomes; few sports facilities; few world sporting events hosted; and low availability of qualified sports teachers, coaches, and facilities. In Europe the opposite seems true, with well-developed physical education and sport participation; high private financing of sport and presence of financing instruments for professional sport teams; higher GDP growth and household incomes; well-developed sports facilities and many world sporting events hosted; and high availability of qualified sports teachers, coaches, and facilities.

The overall finding that can be drawn from Table 11 suggests that in Europe, increased strategic investments in professional football business rests on sophisticated, innovative, well-coordinated, harmonised and focused approaches to football development and management that ensure sustainable delivery of football with successful financial and economic results. Conversely, the African professional football system does not benefit sufficiently from all available elements of professional football for enhancing the economic value of professional football. The reasons are that the African professional football model is not effectively coordinated and aligned to optimally exploit all available opportunities. Only those African professional leagues and clubs that are

actively putting in place well-aligned, coordinated and integrated professional football BMs that are functional and performance-orientated will produce high economic value.

5.2.2 Objective 2: Explore and compare quantitative historical financial data on identified variables between European models of commercially successful professional football models and African models

The second objective calls for quantitative comparative analysis of annual financial statements and expert research reports of professional football clubs and leagues. The quantitative analysis focused on the English Premier Football League, Manchester United Football Club, the South African Premier Football League and Kaizer Chiefs Football Clubs' financial statements for the financial years 2010–2012. As previously stated the financial statements for 2010-2012 were latest available at the time of data collection. Using the Financial aspects variables developed and presented in Table 10, quantitative data collected from financial statements were analysed and interpreted according to the Financial Reporting and Analysis Framework of interpreting financial data (CFA, 2013). This method examines and interprets the performance of a business unit (in this case a professional football league or club) in the context of its industry (professional football industry) and economic environment. The results of this analysis are presented below.

Important note: In order to allow comparative analysis, the different currencies of the South African Rand, British Pound and US Dollar were all pegged to the average US Dollar, using the annual average exchange rates of 2012. It is important also to note that the most updated set of financial data that the researcher could obtain at the start of data collection was from 2012. They were as follows:

1 Rand = US\$0.12

1 Pound = US\$1.5

1 Euro = US\$1.2

The currency unit used for the comparative analysis is thus United States Dollars (US\$). The main reason for using the Dollar is that it still remains the most circulated and used currency denomination worldwide. It is for ease of comparison and understanding that the researcher chose to use it as the basis of comparison. Figures are reported on collectively (20 clubs in a league).

TABLE 12: English Premier League Revenue

Financial variable (US\$ millions)	2011/12	2010/11	% Change	2010/11	2009/10	% Change
Total revenue	3,500	3,020	15, 8	3,020	2,975	1.5
Sponsorship and merchandise revenue	926	722	28.2	722	672	6.9
Television and broadcast revenue	1 763	1 566	12.5	1 566	1 524	2.8
Gate revenue	811	732	10.7	732	779	-6.0

Total revenue

According to Table 12 the EPL increased its revenue to US\$2,975 million in 2009/10. In 2010/11 the revenue grew further to US\$3,020 million over 2009/10. This was a growth of approximately 1.5%. In 2011/12 the revenue grew again to US\$3,500 million, representing a growth of approximately 15.8%. This revenue growth demonstrated that English football, especially at the top level, proved resilient to the worst of the economic downturn the world experienced in 2008 as a result of the collapse in the banking system in the United States.

Television and broadcasting revenue

The EPL television and broadcasting rights revenue was US\$1,524 million in 2009/10 and became the first to reach a US\$1.2 million revenue stream of any domestic football league anywhere in the world. In 2010/11 television and broadcasting rights revenue grew to a modest US\$1,566 million, representing an approximate 2.8% growth in the 2009/10 financial year. Finally, in 2011/12 television and broadcasting revenue grew to US\$1,763 million, representing an approximate 12.5% growth in the 2010/11 financial year. The largest growth in 2011/12 was due to new rights that came into effect during the financial year. Since 1991/92 revenue showed a staggering compounded annual growth rate of 27%. The quantum of the television and broadcasting revenue has been by far the most impactful financial variable in the professional football BM in Europe. For the three years from 2010/11 EPL broadcast rights' values have increased to around US\$4.2 million from US\$3.6 million in the previous three years. As the majority of this increase is from overseas rights values that are shared equally amongst the 20 clubs in the EPL, the benefit was evenly distributed with each club receiving around US\$7.3 million in additional revenue each year over a three-year period.

Sponsorship and merchandise revenue

English Premier Football League clubs' sponsorship and merchandise was worth US\$672 million in 2009/10. Financial statements, however, showed considerable variation in performance with a handful of clubs achieving significant increases. In 2010/11 the sponsorship and merchandise revenue was US\$722 million, reflecting a growth of approximately 7% over 2009/10. During the financial year 2011/12 the total sponsorship and merchandise value amounted to US\$926 million, a further growth of approximately 28.2% in the 2010/11 financial year. The significant growth in 2011/12 is attributed to an increase in sponsorship by professional clubs in the English Premier Football League. Clubs with stronger global profiles and interest earned significantly more than UK or regionally focused clubs that found market conditions more challenging. This corresponds to the professional football BM framework, suggesting that branding and reputation management are critical elements of infrastructure required for revenue growth. The more a professional football team builds its brand globally, the more revenue it can derive. It is important to note that globalisation of football leagues in Europe resulted in an increase in global sponsorship as global corporates sought to connect to their global customers.

Gate revenue

Gate revenues fell by 6% in 2009/10 compared to 2008/9 primarily due to the change in mix of clubs and a reduction in match-day revenues from clubs that competed in the UEFA Champions League, all of whom exited the competition earlier than in the previous season. In 2010/11 the total gate revenue declined further to US\$732 million, representing approximately -6.0%. In 2011/12 the gate revenue grew to US\$811 million, approximately 11% growth over 2010/11. The downward trends in revenue suggest that the significant increases in both television and sponsorship revenue resulted in the reduced significance of gate revenue as a line item. It is important to note that in the early years of professional football business, gate revenue used to account for more than 60% of clubs' revenue. Manchester United, Chelsea and Arsenal as professional football clubs in the EPL accounted for almost 50% of the total gate revenue generated by Premier League clubs in 2009/10, demonstrating the high levels of ticket demand these clubs enjoy and the higher ticket prices they can command.

While Table 12 shows the revenue growth or decline of the EPL over a three-year period, Table 13 shows the size of the share of each variable contribution to the total revenue. This analysis is important as it shows the importance of each variable in terms of its size and contribution to the total revenue.

TABLE 13: English Premier League share of revenue of each variable

Financial variable (US\$ millions)	2011/12	% Share of revenue	2010/11	% Share of revenue	2009/10	% Share of revenue
Total revenue	3,500	100	3,020	100	2,975	100
Sponsorship and merchandise sales revenue	926	27	722	24	672	23
Television and broadcast Revenue	1,763	50	1,566	52	1,524	51
Gate revenue	811	23	732	24	779	26

Sponsorship and merchandise sales revenue

Commercial revenue in 2009/10, consisting of sponsorships and merchandise sales, accounted for 23% of the revenue, remained at 24% in 2010/11, and grew to 27% in 2011/12. The growth indicates a growth in sponsorships starting with 2011/12 and is smaller than both television and gate revenue. During 2009/10 to 2011/12 sponsorship and merchandise revenue were the fastest-growing categories, raising the possibility of clubs growing gate revenues in the future.

Television and broadcast revenue

In the financial year 2009/10 television and broadcasting rights accounted for the highest revenue category at 51%, indicating the dominant role that television and broadcasting media play in the EPL Professional Football Business Model. This figure remains constant over a period of three years, 52% in 2010/2011 and 50% in 2011/2012. This relatively stable share was expected as the television rights are negotiated over a period of three to five years. The biggest growth was expected and achieved by signing new television rights covering three years: 2013/14, 2014/15, and 2015/16. On 10 February 2015 the EPL announced a new television rights deal signed with Sky and BT television stations covering 2016/17 to 2019/20 to the value of US\$6,163 million. This effectively represents doubling the value of television and broadcasting revenue. Time will tell what the impact of this growth in television revenue is on other categories such as sponsorship and gate revenue.

Gate revenue

Gate revenues, the second largest of the categories after television and broadcasting rights, accounted for 26% in 2009/10, 24% in 2010/11, and 23% in 2011/12. This shows a declining trend in share of gate revenues. It is important to note that at the start of professional football, gate revenue was the largest variable, accounting for almost 98%. This again indicates the massive impact that television and broadcasting has had on professional football business.

Objective 2 also required a quantitative analysis of the South Africa PSL Business Model. This analysis is presented in the subsequent paragraphs, supported by Tables 14 and 15.

TABLE 14: South Africa PSL revenue

Financial variable (US\$ million)	2011/12	2010/11	% Change	2010/11	2009/10	% Change
Total revenue	66,996	69,735	- 3.9	69,735	6, 528	6.4
Sponsorship Revenue	26,042	28,698	-9.2	28,698	25,567	11.8
Television and broadcasting Revenue	34,200	34,200	0.0	34,200	34,200	0.0
Gate revenue	1,881	2,130	11.6	2 ,30	1,079	97.4
Merchandise Revenue	348	447	-22.1	447	578	22.7

Total revenue

The South African PSL's revenue was US\$65.5 million in 2009/10. In 2010/11 the revenue grew to US\$69.7 million, representing a growth of approximately 6.4 %. In 2011/12 the revenue declined to US\$66.9 million, representing a decline of approximately 4%. This revenue decline in 2010/11 was due to tax fines by South African Revenue Services because of previous understatement of the revenue.

Television and broadcasting revenue

The total South African PSL television and broadcasting revenue was US\$34,200 million in 2009/10. In 2010/11 the television and broadcasting rights revenue remained at US\$34,200 million, representing approximately 0% growth in the 2009/10 financial year. Finally, in 2011/12 television and broadcasting revenue still remained flat at US\$34,200 million, maintaining 0% growth over the 2010/11 financial year. The stable revenue is largely due to television and broadcasting rights allocated on a rolling three-year basis. An increase was expected during the next cycle of television and broadcasting rights allocation that will come into effect in the 2012/2013 financial year.

Sponsorship revenue

SA PSL clubs' sponsorship revenue was US\$25,567 million in 2009/10. There was considerable variation in performance, with a handful of clubs achieving significant increases. In 2010/11 the

sponsorship and merchandise revenue was US\$28.6 million, representing a growth of approximately 12% in 2009/10. During the financial year 2011/12 the total sponsorship revenue was US\$26 million, a decline of approximately 10% over the 2010/11 financial year. The significant decline in 2011/12 is attributable to the loss of sponsorship by the South African PSL. Clubs with stronger profiles, brands and interest earned significantly more than other local clubs who found market conditions more challenging. This is significant as in the professional football BM framework, branding and reputation management are critical prerequisites for sponsorship revenue growth. The more a professional football team builds its brand locally, the more sponsorship revenue they can potentially derive.

Merchandise revenue

South Africa's PSL clubs' merchandise revenue was US\$578,000 in 2009/10. There was considerable variation in performance, with a handful of clubs achieving significant increases. In 2010/11 the merchandise revenue was US\$447,000, a decline of approximately -22.1% over 2009/10. During the financial year 2011/12 the merchandise revenue remained at US\$447,000 representing a flat 0% growth over the 2010/11 financial year. The more a professional football team builds their brand locally the more the merchandise revenue it can potentially derive. Merchandise revenue is significantly lower in the South African PSL and the lowest source of revenue in South African professional football.

Gate revenue

According to Table 14, gate revenue was US\$1,079 million in 2009/10. In 2010/11 the total gate revenue increased to US\$2,130 million, representing a growth of approximately 97.4%. In 2011/12 the gate revenue again decreased to US\$1,881million, an approximately 11.6% decline over 2010/11. These downward trends in gate revenue suggest that the significant increases in both television and sponsorship revenue resulted in the reduced significance of gate revenue as a line item. Both television and sponsorship amounts are so significant that even a marginal increase reduces the gate revenue. It is evident that television and broadcasting influenced actual match attendance negatively in the South African professional football context.

Table 15 shows the size of the share of each variables contribution to the total revenue in a South African professional football context.

TABLE 15: South African PSL share of revenue

Financial variables (US\$ million)	2011/12	% Share of revenue	2010/11	% Share of revenue	2009/10	% Share of revenue
Total revenue	66,996	100	69,735	100	65,528	100
Sponsorship Revenue	26,042	39	28,698	41	25,567	39
TV and broadcast Revenue	34,200	51	34,200	49	34,200	52
Gate revenue	1,881	3	2,130	3	1,079	1.6
Merchandise Revenue	348	0,5	447	0,6	578	0.9

Television and broadcast revenue

In the financial year 2009/10 television and broadcasting rights accounted for the highest revenue category at 52%, indicating the dominant role that television and broadcasting media play in the South African PSL professional sport business model. This figure remains constant over a period of three years: 49% in 2010/2011 and 51% in 2011/2012. This relatively stable share was expected as the television rights are negotiated over a period of three to five years. The biggest growth was expected and achieved by signing a new television rights covering five years, 2012/13, 2013/14, and 2014/15, with Super Sport Television and broadcasting estimated at R2 billion. This is from R1.6 billion that Super Sport paid to the SA Premier League in 2006/7 financial year.

Sponsorship revenue

Sponsorship revenue in 2009/10 accounted for approximately 39% of the total revenue, remained at 41% in 2010/11, and declined to 39% in 2011/12. During 2009/10 to 2011/12 this was the fastest-growing revenue variable, raising the possibility of growing gate revenues in the future.

Merchandise revenue

Merchandise contributed less than 1% to total revenue and is the smallest source of revenue for the overall South African PSL. It is, however, important to note that few South African professional football clubs have merchandise revenue contributing more than 5%, depending on the support base and popularity of the team.

Gate revenue

Gate revenues, the third-largest of the categories after television and broadcasting and sponsorship rights, accounted for approximately 2% in 2009/10, 3% in 2010/11, and a further 3% in 2011/12. While there is slight increase in gate revenue, the general trend over three years is that it has been declining as result of the disproportionate growth of television and sponsorship rights. This again indicates the massive impact that growth in television and broadcasting rights and sponsorship have had on gate revenue in the professional football BM.

Apart from a comprehensive analysis of historical financial data on a macro level between the EPL and the South African PSL, Objective Two also called for a micro revenue analysis of two professional football clubs, namely Manchester United Football Club and Kaizer Chiefs Football Club. These analyses are presented in Tables 16–19.

TABLE 16: Manchester United Football Club revenue

Financial variables (US\$ millions)	2011/12	2010/11	% Change	2010/11	2009/10	% Change
Total revenue	384,384	397,729	-3.4	397,729	343,704	15.7
Sponsorship Revenue	75,720	65 880	14.9	65,880	49,080	34.2
Merchandise Revenue	40,560	37,560	7.9	37,560	31,800	18.1
New media Revenue	24,840	20,640	20.3	20,640	11,880	73.7
TV and broadcasting revenue	124,789	140,700	-11.9	140,700	123,936	13.5
Gate revenue	118,462	132,984	-10.9	132,984	126,984	4.7

Total revenue

Manchester United's total revenue was US\$343,704 million in 2009/10. In 2010/11 the total revenue increased to US\$397,729 million over 2009/10, a growth of approximately 15.7%. In 2011/12 the revenue grew again to US\$384,384 million, representing a decline of approximately -3.4%. This revenue growth over a three-year period demonstrated that Manchester United proved resilient to the effects of the global economic downturn in 2009.

Television and broadcasting revenue

Manchester United's television and broadcasting revenue was US\$123,936 million in 2009/10. In 2010/11 the television and broadcasting rights revenue grew to a modest US\$140,700 million, representing an approximate 13.5% growth over the 2009/10 financial year. In 2011/12 television

and broadcasting revenue declined to US\$124,8m, representing a drop of approximately -11.9% from the 2010/11 financial year. The decline in 2011/12 was due to Manchester United dropping out of the European Champions League competition, which has good television revenue if the club progresses deep into the competition.

Sponsorship revenue

Manchester United's sponsorship revenues were US\$49,080 million in 2009/10. In 2010/11 the sponsorship revenue was US\$65,880 million, a growth of approximately 34.2% from 2009/10. During the financial year 2011/12 the total sponsorship revenue was US\$75,720 million, a further growth of approximately 14.9% over the 2010/11 financial year. The significant growth in 2011/12 could be attributed to the strong global profile of Manchester United. A global profile is critical as branding and reputation management form a critical element in sponsorship procurement.

Merchandise revenue

Manchester United's merchandise revenue was US\$31.80 million in 2009/10. In 2010/11 the sponsorship revenue was US\$37,560 million, a growth of approximately 18.1% from 2009/10. During the financial year 2011/12 the total merchandise revenue was US\$40,560 million, a further growth of approximately 7.9% over the 2010/11 financial year. The significant growth in 2011/12 is attributable to the increase in brand awareness and match attendance of fans.

Gate revenue

Gate revenues for Manchester United were US\$126,984 in 2009/10. In 2010/11 the gate revenue grew to US\$132,984 million, approximately 4.7% growth over 2009/10. The gate revenue, however, declined in 2011/12 to US\$118,5 million, a decline of -10.9%, primarily due to the change in match-day revenues from the clubs which competed in the UEFA Champions League; Manchester United exited the competition earlier than in the previous season. Manchester United, Chelsea and Arsenal accounted for almost 50% of the total gate revenue generated by EPL football clubs in 2009/10, demonstrating the high levels of ticket demand they enjoy and the higher ticket prices they can command. Gate revenue represents the second-highest revenue source for Manchester United, due to a high match attendance of 99% per match. As a result of this high match attendance, Manchester United is in a position to price tickets very high, explaining the strength of the gate revenue.

Table 17 presents an analysis of the share of revenue that each financial variable contributes in the context of Manchester United Football Club's BM.

TABLE 17: Manchester United Football Club's share of revenue

Financial variable (US\$ millions)	2011/12	%Share of revenue	2010/11	% Share of revenue	2009/10	% Share of revenue
Total revenue	384,384	100	397,729	100	343,704	100
Sponsorship Revenue	75,720	19.6	65,880	16.5	49,080	14.2
Merchandise Revenue	40,560	10.6	37,560	9.4	31,800	9.5
New media Revenue	24,840	6.4	20,640	5.2	11,880	3.5
TV and broadcasting revenue	124,789	32	140,700	35	123,936	36
Gate revenue	118,462	32	132,984	34	126,984	37

Television and broadcast revenue

In the financial year 2009/10 television and broadcasting revenue accounted for 36%, indicating that at club level television and broadcasting is not as dominant as it is at the level of the professional league, where it contributed 52% to total revenue. The income generated from television and broadcasting remained relatively constant over a period of three years: 35% in 2010/2011 with a slight decline to 32% in 2011/2012. This relatively stable share was expected as television rights are negotiated over a period of three years. The biggest growth was expected and achieved by signing a new television rights contracts covering three years, 2013/14, 2014/15, and 2015/16. The slight decline could be due to Manchester United exiting the European Championship competition earlier than in the preceding year.

Sponsorship revenue

Sponsorship revenue in 2009/10 accounted for 14.2 % of the revenue, and increased to 16.5% in 2010/11, and further grew to 19.6% in 2011/12. The growth indicates a growth in sponsorships starting with 2011/12 and is smaller than both television and gate revenue. This suggests the club maintained a healthy mix of revenue, which is critical to help navigate difficult seasons when Manchester United does not do well in Europe. It equally highlights the importance of the impact of the European competition on Manchester United's financial aspect and BM.

Merchandise revenue

Merchandise revenue in 2009/10 accounted for 27% of the revenue, increased to 9.5% in 2010/11, and slightly declined to 9.4% in 2011/12. In 2011/12 merchandises grew to 10.6%. Merchandise remained relatively stable during the period. All three elements—sponsorship, merchandise, and new

media—showed an increase from 2009/10 to 2011/12, suggesting a healthy and sustainable revenue mix.

Gate revenue

Manchester United gate revenues accounted for 37% of income in 2009/10, which was the largest revenue source during that year. This reiterates the strength of and popularity of the Manchester United brand. An average match attendance of 99% explains why gate revenue continues to be a critical source of the clubs' income: 34% in 2010/11 and 32% in 2011/12. There is, however, a slight declining trend in gate revenues. In the case of Manchester United, the decline could also be ascribed to the club's early exit from the European professional football competition.

Kaizer Chiefs was selected as representing a professional football club in the South African PSL. The quantitative analysis of historical financial statements of this club is presented in Table 18 and the following paragraphs.

TABLE 18: Kaizer Chiefs' revenue growth

Financial variable (US\$ million)	2011/12	2010/11	% Change	2010/11	2009/10	% Change
Total revenue	13,320	9,720	37.0	9,720	9,240	5.2
Sponsorship revenue	10,320	6,840	50.8	6,840	6,240	9.6
TV and broadcasting revenue	2,280	2,160	5.6	2,160	2,160	0.0
Gate revenue	600	600	0.0	600	720	-16.7
Merchandise Revenue	120	120	0.0	120	120	0.0

Total revenue

Kaizer Chiefs Football Club's total revenue was US\$9,240 million in 2009/10. In 2010/11 the revenue grew to US\$9,720 million over 2009/10, reflecting a growth of approximately 5.2 %. In 2011/12 the revenue increased to US\$13,320 million, representing an increase of approximately 37%. This significant revenue increase in 2011/12 was due to the introduction of the new television and broadcasting rights agreement with Super Sport. Relative to other European professional clubs' total revenue, Kaizer Chiefs' revenue is very small. Manchester United's total revenue is 34 times greater than that of Kaizer Chiefs, at US\$343,704 million in 2009/10, indicating disparities in the size and scale of professional football business in Europe relative to Africa.

Television and broadcasting revenue

Kaizer Chiefs' television and broadcasting revenue was US\$2,160 million in 2009/10. In 2010/11 the television and broadcasting rights revenue remained at US\$2,160 million representing approximately 0% growth over 2009/10 financial year. In 2011/12 television and broadcasting revenue slightly increased to US\$2,280 million, representing approximately 5.6% over 2010/11 financial year. The stable revenue is due to the fact that television and broadcasting rights are allocated on a rolling three-year basis. Television and broadcasting revenue constitute the second-highest stream of income after sponsorship for Kaizer Chiefs.

Sponsorship revenue

Kaizer Chiefs' sponsorship revenue was US\$6,240 million in 2009/10. In 2010/11 the sponsorship and merchandise revenue was US\$6,840 million, a growth of approximately 9.6% from 2009/10. During the financial year 2011/12 the total sponsorship was US\$10,320 million, an increase of approximately 37% from the 2010/11 financial year. The significant increase in 2011/12 is attributable to the club acquiring a Vodacom sponsorship. Kaizer Chiefs as a professional team with a stronger profile, brand and interest earned significantly more than other local clubs in the South African PSL, which found market conditions more challenging.

Merchandise revenue

Kaizer Chiefs' merchandise revenue was US\$120,000 in 2009/10. In 2010/11 the merchandise revenue remained at US\$120,000, a 0% increase over 2009/10. During the financial year 2011/12 the merchandise revenue was still US\$120,000. Sales of merchandise are significantly lower for Kaizer Chiefs.

Gate revenue

Gate revenue on match days was US\$720,000 in 2009/10. In 2010/11 the total gate revenue decreased to US\$600,000, representing approximately -16.7%. In 2011/12 the gate revenue remained unchanged at US\$600,000, a decrease of approximately 16.7% from 2010/11. It is important to note that in the early years of professional football business, gate revenue used to account for a significant portion of the clubs' total revenue. This holds true for clubs in both Europe and Africa.

Table 19 presents the share of revenue of Kaizer Chiefs Football Club.

TABLE 19: Kaizer Chiefs' share of revenue

Financial	2011/12	%Share	2010/11	% Share of	2009/10	% Share of
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variable (US\$ million)		of revenue		revenue		revenue
Total revenue	13,320	100	9,720	100	9,240	100
Sponsorship revenue	10,320	77	6,840	70	6,240	68
TV and broadcasting Revenue	2,280	17	2,160	22	2,160	23
Gate revenue	600	4.5	600	6.6	720	7.8
Merchandise Revenue	120	1.5	120	1.4	120	1.2

Television and broadcasting revenue

In the financial year 2009/10 television and broadcasting rights accounted for 23% of total revenue. This figure remains relatively constant over a period of three years, 22% in 2010/2011 and a slight decrease of 17% in 2011/2012. This decrease could be due to an increase in sponsorship revenue for Kaizer Chiefs that started in 2011/12.

Sponsorship revenue

The sponsorship revenue in 2009/10 accounted for approximately 68% of the total revenue, and increased to 70% in 2010/11, with a further increase to 77% in 2011/12. During 2009/10 to 2011/12 sponsorship outgrew gate revenues as a source of revenue. Sponsorship is the category responsible exclusively for the growth in total revenue.

Merchandise revenue

Kaizer Chiefs' merchandise revenue constituted 1.2% in 2009/10. In 2010/11 the merchandise revenue represented 1.4%. In the financial year 2011/12 merchandise revenue stayed constant at 1.5%. The share of merchandise sales to total revenue is significantly lower than other revenue variables.

Gate revenue

Gate revenues, the third-largest of the categories after television and broadcasting and sponsorship rights, accounted for 7.8% in 2009/10, 6.6% in 2010/11, and a further 4.5% in 2011/12. The slight decrease in gate revenue seems to be in line with general trends; that is, it has been declining as a result of the disproportionate growth of television and sponsorship rights in professional football.

5.2.3 Objective 3: Explore the qualitative views of professional football experts in the business of sport on the relevance and scope of variables contributing to the commercially viable professional football models.

The trends and variables that emerged from the results discussed in the preceding paragraphs (5.2.1 and 5.2.2) formed the basis for discussing Objective 3 of the study. These findings were used as

guidelines for the qualitative analysis of expert reports and semi-structured interviews with professional football experts.

Objective 3 aims to enrich and triangulate numerical data obtained from the quantitative analysis with narrative data obtained from qualitative semi-structured interviews and expert documents analysis. Qualitative results will be integrated with quantitative data into a viable framework to provide justification for the proposed BM for effective and viable management of professional football in Africa as a final outcome of this study (Objectives 4 and 5).

The first section of the semi-structured interviews consisted of personal details of the respondents collected purely for record purposes and not for analysis. The second part of the semi-structured interviews focused on collecting information on general perceptions of the respondents on the importance and relevance of each variable in 5.2 as well as expert views on the potential impact of each variable on a professional football BM. The views and perceptions of the European experts are presented first, followed by the views and perceptions of the African experts.

Table 20 presents the views, opinions and perceptions of four European professional football experts on the degree of importance and relevance of identified key variables, and forms the basis for discussion and comparison of results obtained under Objective 3.

TABLE 20: Perceptions of European professional football experts (N=4) on the degree of importance of identified key variables

Key variable and semi-structured interview questions	Degree of importance	N	%
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Value proposition How important is it for professional football leagues and clubs to have clear objectives as part of their value proposition?	Very important	3	75
	Important	1	25
	Not important	-	-
Target customers How important is it for leagues and clubs to develop a good relationship with their fans as principal support of the entire system?	Very important	4	100
	Important	-	-
	Not important	-	-
Infrastructure and capabilities How important are marketing, sales, and reputation management skills and capabilities for professional football leagues and clubs?	Very important	3	75
	Important	1	25
	Not important	-	-
Financial aspects Are financial aspects important as key elements of a professional football BM?	Very important	4	100
	Important	-	-
	Not important	-	-
	Total	4	100
Other key factors Are the size of the economy and the household incomes of the country where the professional football league and clubs are operating from important?	Very important	1	25
	Important	3	75
	Not important	-	-

From Table 20 it is clear that three out of four (75%) of the European professional football experts strongly agree on the importance of professional football leagues and football clubs having clear objectives as part of their value proposition. Despite the difference in the degree of importance, all four (100%) European experts agreed that it is important that the professional league and football club should have a clear objective as part of their value proposition. Three-quarters (75%) of the experts agreed that in Europe profitability is the overriding objective. This result is supported by the following quote:

Professional sporting bodies and associations are increasingly seeking to introduce new regulations in an attempt to control the cost base and levels of debt in their sports and leave a sustainable business model for future generations. In Europe profitability is the overriding objective.

Cutting costs is one way of improving profitability. Evidence indicates that most of the experts (75%) strongly support the statement and points out that there is a positive relationship between brand development, reputation management and revenue growth. This result is supported by the following quote from a respondent:

Clubs with stronger global profiles and interest earned significantly more than UK or regionally focused clubs who found market conditions more challenging. There is a positive relationship between clubs' reputation and revenue growth.

In essence, professional football leagues and clubs that incorporate marketing, brand development and reputation management as part of their value proposition stand to be more successful than those that do not.

All four (100%) of the European experts strongly agree that it is very important for professional football leagues and football clubs to develop a good relationship with their fans as the fans are the principal support of the entire system of professional football business. They further perceive it as important that leagues and clubs pay attention to economic factors affecting the fans such as the level of household income. Entertainment and a great on-field match experience are critical elements to convince fans to spend their hard-earned money, as supported by the following statement:

At root, people buy tickets to sports events and pay-tv services carrying exclusive sports content expecting to be entertained. If they are not, they will vote with their feet and their wallets – and will soon be followed by media partners and sponsors seeking other opportunities.

In addition, European experts indicated leagues and clubs need to be careful about the impact of rising tickets costs on their fans. One of the experts stated the following:

While stadia, circuits and arenas are full for the big events, spectators face rising ticket prices – and corporate clients and sponsors face wider economic and regulatory concerns of their own.

Three out of four (75%) of the experts strongly agree that it is very important for professional

football leagues and clubs to have marketing, sales, brand and reputation management skills and capabilities, while one expert (25%) perceives it as only ‘important’. Several statements by experts support the importance of this variable as represented by the quote below:

...our ability to maintain, train and build an effective international sales and marketing infrastructure, and manage the risks associated with such an expansion.

In addition to marketing and sales, experts suggest that an international marketing and sales infrastructure is needed for successful globalisation of the professional football leagues and clubs’ brand. The quotes below provide evidence in this regard:

If we are unable to maintain, train and build an effective international sales and marketing infrastructure, we will not be able to commercialise and grow our brand successfully.

As we grow, we may not be able to secure sales personnel or organisations that are adequate in number or expertise to successfully market and sell our brand and products on a global scale.

It seems as if not only marketing and sales skills are important, but also global infrastructure to commercialise the brand of the professional football league or club.

All four (100%) experts strongly agree that financial aspects are very important for professional football leagues and football clubs as key elements of a viable professional football BM. This overwhelmingly confirms the importance and relevance of this key variable as critical for professional football leagues and clubs. Experts perceived both television and broadcasting rights and sponsorship as the main sources of revenue for professional football leagues and clubs. The following quote provides evidence for this:

This gives us profile, presence, positive influence and of course revenue from broadcasters and sponsors who want to be associated with our competition.

An analysis of their views suggests that the growth of television and broadcasting revenue in particular is largely due to the successful globalisation of the EPL and professional team brands. A strong relation between globalising your brand and revenue growth was also suggested, as reflected in the quote below:

Growth in broadcast revenue was primarily due to the higher Premier League distributions following a more than doubling of the amount generated from the sale of overseas broadcast

rights, a testament to the Premier League's global popularity.

When asked about possible future revenue sources, the majority of European experts (75%) suggested that social digital media represents a new source of revenue that leagues and clubs in Europe are already taking full advantage of. The following statement gives evidence that Manchester United Football Club and the EPL are already benefitting from this new source of revenue:

...our ability to execute a digital media strategy that generates the revenue we anticipate.

Two out of four (50%) of the European experts strongly agree that the size of the economy and the household incomes of the country where the professional football league and clubs are operating from is very important. The other 50% agree that the size of the economy and the household incomes of the country where the professional football league and clubs are operating from is important. In addition experts confirmed that the disposable income of club fans and supporters is an important determinant of the revenue growth. The lower the disposable income the lower the match attendance and ability to afford fans' team jerseys and other related products that are for sale. One expert responded as follows:

An economic downturn and adverse economic conditions may harm our business. The recent economic downturn and adverse conditions in the United Kingdom and global markets may negatively affect our operations in the future. Our gate revenue and television and broadcasting revenue in part depend on personal disposable income and corporate marketing and hospitality budgets. Further, our sponsorship and commercial revenue are contingent upon the expenditures of businesses across a wide range of industries, and as these industries continue to cut costs in response to the economic downturn, our revenue may similarly decline.

From the experts' statements it can be deduced that macro-economic factors such as the countries' and global economic growth, household disposable incomes, and presence and size of private sectors to finance sport are critical factors of a successful professional league and football club. Due to the globalising nature of professional sport, global recession and adverse economic conditions may affect the BM and revenue of professional football leagues and clubs.

Semi-structured interviews were also conducted with four South African experts on professional football. The same questions were posed to them as were posed to the European experts. Table 21 presents their perceptions.

TABLE 21: Perceptions of African professional football experts (N=4) on the degree of importance of identified key variables

Key variable	Degree of importance	N	%
Value proposition How important is it for professional football leagues and/or clubs to have a clear objective as part of their value proposition?	Very important	2	50
	Important	2	50
	Not important	-	-
Target customers How important is it for leagues and clubs to develop a good relationship with their fans as principal support of the entire system?	Very important	4	100
	Important	-	-
	Not important	-	-
Infrastructure and capabilities How important are marketing, sales and reputation management skills and capabilities for professional football leagues and clubs?	Very important	2	50
	Important	2	50
	Not important	-	-
Financial aspects Are financial aspects important as key elements of a professional football BM?	Very important	4	100
	Important	-	-
	Not important	-	-
	Total	4	100
Other key factors Is the size of the economy and the household incomes of the country where the professional football leagues and clubs are operating from important?	Very important	3	75
	Important	1	25
	Not important	-	-
	Total		

Two out of four (50%) of the African professional football experts strongly agree that it is very important that the professional league and football club have clear objectives as part of their value proposition. Two out of four (50%) experts merely agree that it is important. There is, however,

general agreement amongst three out of four (75%) experts that in Africa the overriding objective of professional football is development, first as supported by this quote:

The founding guidelines and principles, upon which the League was established, have always been for the development and support of professional soccer in South Africa. Consequently, an amount of R273 million has been disbursed to clubs during the year.

While it is clear there is some profit motive, it is limited. Results indicate that all African experts (100%) strongly agree that there is a positive relationship between brand development, reputation management and revenue growth as supported by the following quote from one of the experts:

It's not solely about being successful on the field. It's off the field as well. It's about stretching the brand and making sure that we can provide the right merchandise, increasing our distribution to make sure the products are available to our supporters, and keeping up with the trends.

Emanating from this analysis it is clear that for Africa, development of professional football is more than maximising profit. In essence, the leagues and clubs that incorporate marketing, brand development and reputation management as part of their value proposition stand to be more successful than those that do not.

All four (100%) of the African experts strongly agree that it is very important that professional leagues and football clubs develop a good relationship with their fans as they are the principal support of the entire system of the professional football business. They further state that it is important that leagues and clubs pay attention to economic factors affecting fans, such as fans' disposable income. African professional football experts believe that fan engagement is important as supported by the following statement:

The game has undergone changes and that the club has more engagements with supporters than ever before.

Two out of four (50%) of the African experts strongly agree that it is very important for professional football leagues and clubs to have marketing, sales, brand and reputation management skills and capabilities, while two (50%) agree that it is important for professional football leagues and clubs

to have marketing, sales, brand and reputation management skills and capabilities. Despite their different assessments of the degree of importance, all four (100%) African experts agree that it is important for professional football leagues and clubs to have marketing, sales, brand and reputation management skills and capabilities. In addition, African experts highlighted the development of leadership and partnership development skills:

When I came in, I decided to bring certain things in-house, build a strong marketing team, and make sure that we keep in touch with innovation, new technologies, and the right partners. I think we've also had great partnerships through Vodacom, the likes of Nike, and our partnership with Hollard.

In addition to marketing and sales, experts suggest that an international marketing and sales infrastructure is needed for successful globalisation of the African professional football leagues and club brand:

...partners with tickets sales companies, and partnerships with retail stores. And global networks. ... It's about stretching the brand and making sure that we can provide the right merchandise, increasing our distribution to make sure the products are available to our supporters, and keeping up with the trends.

Results indicate that not only are marketing and sales skills important, but also establishment of marketing and sales partnerships to develop the global infrastructure to commercialise the brand.

All four (100%) of the African professional football experts strongly agree that financial aspects are very important for professional leagues and football clubs as key elements of a professional football BM. Experts perceive television and broadcasting rights and sponsorship as main sources of revenue for professional football leagues and clubs. The following statement gives evidence:

Sponsorship and television and broadcasting rights are the largest contributor to PSL revenue, with Absa as the PSL's title sponsor. Vodacom recently concluded its revised sponsorship of Orlando Pirates and Kaizer Chiefs.

In Africa, however, the bulk of the television and broadcasting revenue come from local domestic market. When asked about possible future revenue sources, experts suggested that mining existing

sponsorship relationships with a view to getting more out of them was key in Africa, as sponsorship opportunities are very limited:

The sponsorships are there, but you look at the many partnership and they translate into business initiatives as well. With Hollard, it started as a joint venture, then went into them sponsoring the sleeve but we are out there actively selling Kaizer Chiefs funeral policies and legal policies. With Vodacom, it started as a sponsorship and now we have the Kaizer Chiefs sim-card. You can actually go out and have your Kaizer Chiefs mobile starter pack, so that's exciting. With Nike, the business is there in terms of replicas etcetera.

Three out of four (75%) of the African professional football experts strongly agree that the size of the economy and the household incomes of a country where the professional football league and clubs are operating from are very important. In addition, experts indicated that disposable income of club fans and supporters is an important determinant for revenue growth. The lower the disposable income the lower the match attendance and ability to afford fans' team jerseys and related products.

The economy also plays an important role in merchandising sales. Slow growth in the near term is likely to limit the merchandising market, but improving economic conditions during the latter part of the forecast period will spur merchandising ...The underlying gate revenue market is weak in South Africa due to high prices of tickets and weak economic conditions.

According to the results macro-economic factors such as the countries' and global economic growth, household disposable incomes, and presence and size of private sectors to finance sports are critical factors for a successful professional football league and football clubs in the African context.

In the preceding paragraphs results of the qualitative semi-structured interviews with European and African experts on professional football were presented. When comparing the perceptions of European and African experts, the following results emerged:

- All European and African professional football experts agree that it is very important for professional football leagues and clubs to have clear objectives.

- European experts emphasised profitability as overriding business objective while African experts perceived football development and limited profitability as key objectives.
- Both European and African professional football experts agreed on a positive relationship between brand development, reputation management and revenue growth.
- All European and African professional football experts agreed that leagues and clubs must pay attention to economic factors affecting the fans such as the level of household income. Entertainment value and positive at-the-field-experiences are critical elements to convince fans to spend their hard-earned money.
- All European and African experts agreed that it is very important for professional football leagues and clubs to have marketing, sales, brand and reputation management skills and capabilities. African experts also emphasised leadership and partnership development as critical skills.
- European football experts suggest that an international marketing and sales infrastructure is needed for successful globalisation of the professional leagues' and clubs' brand, while South African experts suggest that leagues mine existing sponsors.
- Both European and African professional football experts agree that financial aspects are very important for professional football leagues and clubs as key elements of a professional football BM.
- European and African professional football experts indicated that professional football leagues and clubs in Europe and Africa employed different strategies of looking for new sources of revenue.
- European and African professional football experts agreed that football leagues and clubs use digital media platforms for both similar and different reasons.
- All European and African experts agreed that the size of the economy and the household incomes of the country where the professional football league and clubs are operating from are very important.

5.2.4 Objective 4: Integrate collected quantitative and qualitative data to construct a viable BM for the management of professional football in Africa.

Results obtained and interpreted from Objectives 1, 2, and 3 will be integrated to construct a viable BM for the management of professional football in Africa. This model will be presented in Chapter Six under recommendations.

5.2.5 Objective 5: Make recommendations to South African and African professional football clubs and leagues to improve the commercial viability of their clubs.

These recommendations are presented in Chapter Six.

5.3 INTERPRETATION OF RESULTS

Results were presented in 5.2 and are subsequently interpreted according to each objective set for the study.

Objective 1:

In **Value proposition** as an element, European professional sport leagues and clubs have profit maximisation as an objective. As a result they seek to influence the evolution of their league and clubs in a way that creates the highest possible level of profit by seeking a league regulatory structure that minimises costs. In an African context with limited profit maximisation as objective, leagues and clubs seek to influence the evolution of their leagues and clubs in such a way that resources are allocated to yield optimum satisfaction for their fans first and commercial profits for their club owners second.

Target customers focuses on the nature of the consumers' (fans') interest in sport and as the principal support of the professional sport system. The evolution of professional sport production is mainly about maintaining or increasing fan interest, by improving the competitive balance and the quality of play in the competition. In Europe, due to the well-organised market structure of professional football, a high competitive balance between the leagues and clubs, supported by a higher level of household income, leads to a significantly high attendance (80% on average) that subsequently results in higher gate revenues and higher merchandise sales. In Africa, the average match attendance is 30%, resulting in lower gate revenues and merchandise sales. This is due to lower GDP growth, lower household incomes, and lack of brand awareness and reputation management. High fan attendance in Europe could also be attributed to high brand awareness and reputation management of leagues and professional football clubs, higher household income and a higher European GDP.

Infrastructure and capabilities suggest that spectators do not know in advance whether the match will meet their expectations. Building up reputation and brand awareness is therefore necessary for success in professional football. For example, if a professional football club is known for good performance, the uncertainty about the quality of the game is reduced and spectators might be more likely to attend the game. Different studies on the demand for stadium attendance identified the

importance of reputation and brand awareness for professional sport (Jones & Ferguson, 1988). In Europe, building up brand awareness and reputation management is a primary focus to create economic value in sport organisations. The reputation of both the home and the away team should thus be a part of the value creation model for professional football matches. In Europe, sophisticated and cutting-edge tools are used for marketing and sales of a football match that rely on the reputation of the leagues and clubs and take place before the beginning of the match. In Africa, the unavailability of sophisticated and cutting edge tools for marketing and sales coupled with low availability of reputational, brand management and development skills could have resulted in limited fan attendance, limited merchandise sales, and limited revenue streams.

Financial aspects: leagues and clubs earn revenue from gate tickets, sponsorship, sale of television and broadcasting rights, and merchandise. In Chapter 2 the researcher provided evidence that the EMEA region contributed US\$46.3 billion to the global sport market, with Africa accounting for a very small percentage. Africa's contribution is so small that it does not even have a category of its own. Given that the significant difference and changes in professional football business have been in the growth of revenue and the resultant growth in scale of commerciality, the focus in this study is on revenue analysis as the single biggest change that has taken place in the professionalisation of sport in the last three decades. It is clear from European and African professional business of sport trends that the size of the European sport market is significantly larger than that of the African sport market. Furthermore, the financial aspect as a business element indicates that business activities focusing on commercial revenue generation form the nexus of economic activity. In this study, therefore, the focus of comparative analysis is on revenue-generating business activities in professional football in Europe and Africa.

Globalisation of television and broadcasting rights indicates another area where Europe has managed to generate significant revenue, as the rights can now be sold across the world. Due to this globalisation, television stations are prepared pay more money. In Africa on the other hand most of the football leagues and club brands are not necessarily well known globally. As a result, private sectors that can afford to buy sponsorship rights mostly buy from the local country market as local African club brands do not have global appeal. Television stations on the other hand tend to buy regional continental rights, as they are still relatively affordable because most of the leagues and brands are not well known or globalised.

New media represents another area where Europe and African professional sport BMs differ. New media, which includes the Internet, social media and mobile data, represents a new stream of

revenue for most European leagues and clubs. This is made possible by the fact that Europe has a high penetration of Internet and mobile usage. Europe also has state-of-the-art data cables that allow high-speed Internet and transactions can take place online. Africa, on the other hand, still uses the Internet mostly for information as opposed to performing transactions. This is partly due to the low penetration of the Internet in Africa coupled with the high cost of mobile airtime.

Other key issues as the fifth element of the BM refers to elements necessary to make professional football function and produce competition and business results. It includes macro and micro economic factors, availability of available coaching and administration skills, mega-industry athletic equipment and major branded suppliers such as Nike, fantasy leagues (virtual leagues), sport camps and sport academies, sport-based publications and globalisation of sport. According to Bouchet and Kaach (2004) it seems as if an African football BM is in general characterised by all the features that are associated with sport in developing countries, namely underdeveloped physical education and sport participation, low financing of sport and absence of financing instruments for professional sport teams, low GDP growth and household incomes, few sports facilities, few world sporting events hosted, as well as low availability of qualified sports teachers, coaches, and facilities. In Europe the opposite seems true, with well-developed physical education and sport participation, high private financing of sport and the presence of financing instruments for professional sport teams, higher GDP growth and household incomes, well-developed sports facilities and many world sporting events hosted, as well as high availability of qualified sports teachers, coaches, and facilities.

In essence the overall finding that can be drawn from Table 11 is that in Europe, increased strategic investments in professional football business is on the basis of a more sophisticated, innovative, well-coordinated, harmonised and focused approach to sport development and management (professional football BM) that has ensured sustainable delivery of the sport with successful financial and economic results (viable professional BM). It is important to note that the African sport system is most probably not benefitting sufficiently from all available elements of the professional football model that are available for enhancing the economic value of professional football in particular, and sport system as a whole. Reasons are that the African professional football model is not effectively coordinated and aligned to optimally exploit all available opportunities. Only those African professional leagues and clubs that are actively putting in place well-aligned, coordinated and integrated professional football BMs that are functional and performance-orientated will produce high economic value.

Objective 2:

From an analysis and interpretation of the BMs of the two leagues, a number of similarities and differences emerged. The similarities and differences are crucial as input for the development of an appropriate BM for the effective management of professional football in Africa.

The total value of revenue of professional football leagues in Europe (EPL, US\$3,020 billion) in 2012 was 45 times bigger than that of African professional football league (PSL, US\$69,7 million). This reflects both bigger economic activity and more corporate funding of professional football in Europe relative to Africa. Higher GDP growth and higher household incomes mean sport fans have enough money to pay for match tickets or buy team merchandise. In Africa, 80% of the professional football leagues are financed and supported by government and foreign development aid. This results in largely underdeveloped league structures.

Interpreting these results, the data support and substantiate the position that the European professional football market still remains 45 times larger than the African professional football market. In part this can be attributed to how well or less developed a country's economy is. Andreff (2001) notes that the less developed a country is, the lower is its professional sports performance. This can be taken as an indication that Africa still lags behind the world in terms of effective commercialisation of professional football business. Further to this, 80% of professional leagues in Africa are financed by government and not mostly by private corporates as in Europe. The 20% of the professional football leagues in Africa financed mostly by private corporates employs similar professional football business variables to those of successful European professional football BMs. This further substantiates the findings that African professional football model BMs exhibit similarities to successful European professional football business, while the size and value of variables may be different.

Both in Europe and in Africa, professional football leagues that are well financed are able to pay higher fees to clubs, making it possible for those professional football clubs to attract highly skilled players who are more competitive on the field of play. Clubs with higher revenue show a strong correlation between total revenue and their position on the log. The researcher interpreted this as a strong relationship between the competitive balance of the league and the position on the log and league total revenue.

The quantum of the television and broadcasting revenue has been by far the most impactful in professional football business in Europe. In Africa, for the financial years 2009/10–2011/12 the PSL television and broadcast rights values have increased to around US\$100 million from US\$37. million. The majority of this increase is attributed to a new broadcaster, Super Sport, rights owner as one of the legacy benefits of South Africa hosting the World Cup in 2010. This analysis can be interpreted to support the claim that television and broadcasting revenue will remain a key source of revenue for professional football leagues and clubs. African professional football leagues may increase their revenue by globalising their leagues and clubs by including brand development and reputation management as part of their value proposition. European television and broadcasting rights grew by 16% over the period under investigation, while African growth over the same period was 164%. African growth, although fastest, was from a lower base than that of Europe.

The total quantum value of Europe television and broadcasting revenue is larger than in Africa due to the fact that the television and media rights are sold globally beyond the borders of England and Europe. This suggests that globalisation of television and broadcasting rights is a necessary step to growing the total revenue of a professional football league, as the majority of this increase is from overseas rights values which are shared equally amongst the 20 clubs in the EPL. The benefit was evenly distributed with each club receiving around US\$7.3 million in additional revenue each year over a three-year period. In order to achieve this, only professional football leagues and clubs that have brand development, reputation management, and high match attendance rates will have the opportunity to attract global audiences. Global corporate companies are always looking for opportunities to partner with globalised professional football leagues and clubs.

Television and broadcasting revenue will continue to be a major driver for rights in the future. For example, for the three years from 2010/11 Premier League broadcast rights values increased to around US\$4.2 billion from US\$3.6 billion in the previous three years.

Successful professional leagues in Europe and Africa rely too heavily on television and broadcasting revenue and it may be necessary to diversify sources of revenue in future. Television and broadcasting revenue is highly susceptible to economic fluctuations and maybe impacted negatively during economic recessions or low economic activity.

In both European and African professional football leagues sponsorship and merchandise revenue is the second-highest revenue source after television and broadcasting and the fastest-growing sources of revenue (US\$92 million in 2012 and growing at 28% in Europe, and US\$28 million in

2011 for Africa growing at 12%). European sponsorship is significantly greater than that of African professional football leagues in real terms. This finding supports data that show that both television and sponsorships have been largely responsible for the revenue growth that has taken place in professional football business. Andreff (2001) claims that significantly active and viable private corporates are critical for the growth of revenue through sponsorship association with professional football leagues and the more globalised the league, the more global sponsors with deep pockets want to be associated with successful professional football leagues.

Sponsorship and merchandise revenue is driven largely by sponsorships acquired by professional football leagues. For example, the significant growth in sponsorship and merchandise in 2011/12 is attributable to the increase in sponsorship obtained by professional football clubs in the EPL. Clubs with stronger global profiles and fan interest earned significantly more than UK or regionally focused clubs, which found market conditions more challenging, Manchester United is a good example in Europe and Kaizer Chiefs in Africa. Income from merchandise is significantly lower in the South African PSL and the lowest source of revenue in South Africa and England. This finding implies that this is an area where future growth could be generated and used to balance the portfolio and reduce the current overwhelming dependence on television revenue.

In 2011/12 the revenue of Manchester United Football Club grew to US\$384.4 million, representing a growth of approximately 13.7%. This revenue growth indicates that English professional football, especially at the top level, generates much higher revenue than their counterparts in Africa. For example, in 2011/12 Kaizer Chiefs' revenue increased to US\$13.3 million, representing an increase of approximately 37%, mainly due to the introduction of the new television and broadcasting rights contract with Super Sport. Relative to other European professional clubs' total revenue, Kaizer Chiefs' revenue is very small. Manchester United's total revenue is 34 times greater than that of Kaizer Chiefs, indicating disparities in size and scale of football business in Europe relative to Africa. This result again supports the assertion by Andreff (2001) that countries with bigger economic growth, especially GDP growth, active and large private-sector financing of sport, and well-developed sport systems such as world-class facilities, good sport science and management education, and great coaching, tend to perform at higher levels and generate higher revenue.

Kaizer Chiefs' share of revenue is sponsorship (77%); television (17%), and gate (4.5%) and merchandise (1.5%) revenue share the remaining 6%. This result is very important. It shows that

African professional football clubs are dependent on sponsorships and not television, while the European clubs' total revenue is more balanced.

Objective 3

Interpretation of similarities and differences between European and African perceptions were presented in 5.2.3.

5.4 CHAPTER CONCLUSION

In this chapter the findings of the study were first presented and then interpreted. Results indicated areas of similarity and difference between European and African professional football leagues and clubs. It is important, however, to note that while there are similarities, the African context is unique and different and needs to be considered and factored into a viable BM for professional football in Africa.

From the results it can be deduced that in Europe, increased strategic investments in professional football business is based on a more sophisticated, innovative, well-coordinated, harmonised and focused approach to sport development and management and has ensured sustainable delivery of professional football with successful financial and economic results. At the same time it is important to note that the African sport system is most probably not benefitting sufficiently from all available elements of a professional football model, specifically for enhancing the economic value of professional football, partly because African professional football is not effectively globalised and coordinated and aligned to optimally exploit all available opportunities. It seems as if only those African professional leagues and clubs that are actively involved in putting in place well-aligned, coordinated and integrated professional football BMs that are functional and performance-orientated will produce high economic value.

In the next chapter conclusions and recommendations are presented. A viable BM for the effective management of professional football in Africa is proposed to achieve Objective 4 of the study. Recommendations to South African and African professional football (Objective 5) on how to improve the commercial viability of their clubs are presented in Chapter Six.

CHAPTER SIX

CONCLUSIONS, RECOMMENDATIONS AND IMPLICATIONS FOR FURTHER RESEARCH

6.1 INTRODUCTION

In this study the business of sport was explored on the macro level by analysing BMs of professional sport (Chapter Two). The business and structures of professional football were further analysed in the European and African contexts (Chapter Three) according to the research methodology (Chapter Four) designed for the study. Results obtained were presented and interpreted in Chapter Five according to the objectives stated for the study. In this chapter the two research questions stated in Chapter One are revisited and answered and final conclusions and recommendations are presented. A viable BM to effectively manage professional football in Africa will be proposed to achieve Objective 4 of the study, as well as recommendations to African and South African professional football leagues and clubs to improve the commercial viability of their clubs to achieve Objective 5 of the study.

6.2 REVISITING THE RESEARCH QUESTIONS POSED FOR THE STUDY

In Chapter One it was postulated that professional football clubs in Africa are required to seek out scarce resources from a wide range of possible revenue sources and to use their knowledge of sport marketing, branding, reputation management and financing skills to ensure that the scarce revenue sources are allocated in such a way as to yield optimum satisfaction for their fans and commercial profits for their club owners. Further, that failure to do so by these professional football clubs in Africa has resulted in these clubs not being commercially viable and lagging behind Europe in so far as the commercialisation of professional football is concerned. Two research questions were thus formulated for the study:

Why are most African professional football clubs not commercially viable?

Can commercially relevant, practical, measurable and consistent variables from successful European professional football clubs, be transferred to develop a viable business model for the effective management of professional football in Africa?

From the collective results on why an African professional football BM is currently not commercially viable, it became apparent that the answer to the first research question is both complex and multi-layered and in summary can be answered as follows:

African professional football leagues and clubs are not benefitting sufficiently from all available elements of the African professional football business model that are specifically available for enhancing the economic value of African professional football in particular. Reasons are that the variables within the African professional football business model are not effectively globalised and coordinated and aligned to optimally exploit all available opportunities. Only those African professional leagues and clubs that are actively involved in putting in place well aligned, coordinated and integrated professional football business models that are functional and performance-orientated will produce high financial and economic success.

The second research question posed for the study is answered as follows:

Results from the quantitative and qualitative analysis of data indicate that European and African BMs reflect similar financial variables with different emphases in the two contexts. It is therefore possible to implement these variables (value proposition, target customers, infrastructure capabilities and financial variables [television and broadcasting revenue, sponsorship and merchandise sales and gate revenue]) in an African and South African context. It must, however, be noted that the economic contexts of Europe and Africa differ substantially and that needs to be factored into a commercially viable BM for professional football in Africa. In Europe, increased strategic investment in professional football business is on the basis of a more sophisticated, innovative, well-coordinated, harmonised and focused approach to sport development and management, which has ensured the sustainable delivery of professional football business with successful financial and economic results. It is argued that this approach can be transferred to African professional football with allowance for the unique circumstances of the African continent.

The above concise answers to the two research questions are substantiated by the overall and financial variable-specific conclusions presented in 6.3.

6.3 CONCLUSIONS

In the context of the obtained results overall key study conclusions were drawn as well as conclusions specific to the BM variables discussed in Chapter Five.

6.3.1 Key study conclusions

- The African professional football BM contains similar variables to the European and Generic BMs. These variables are 1) Value proposition, 2) Target consumer, 3) Infrastructure capabilities, 4) Financial aspects, and 5) Other key factors. These outcomes confirmed that the identified variables are indeed appropriate to use as a basis for designing an African professional football BM, and that the African leagues and clubs that incorporate these variables into their BM stand to be more commercially successful than those that do not.
- African professional football BMs approach reputation management and brand development differently to European professional football models, which put more emphasis on sales and marketing (infrastructure aspects), and gate revenue, television rights, sponsorship, and merchandise (financial aspects).
- Most African professional football leagues and clubs have limited access to marketing, branding, reputation management skills, logistical distribution infrastructure, and availability of financial resources and support. This can be attributed to a variety of reasons including poor higher education systems, significantly limited private-sector financing of professional football, and limited access to technology, communication and logistical distribution infrastructure.
- African leagues and clubs that incorporate and implement profit maximisation, marketing, global brand development, reputation management, and financial aspects objectives as part of their value proposition stand to be commercially successful.

6.3.2 Variable specific conclusions

Value proposition

While African leagues and clubs indicated that their objectives are football development and limited profit maximisation, most of them do not incorporate and integrate them as part as their value proposition. Instead, their focus turns to be more on development aspects than on profit maximisation. African professional teams treat the development of professional football leagues and clubs as separate to and different from profit maximisation.

Target customers

Europe has a significantly high average match attendance (80%) due to the well-organised market structure of professional football, a high competitive balance between clubs, a high level of household income, high brand awareness and reputation management. This results in higher gate revenues and higher merchandise sales. In Africa, the average attendance is 30% resulting in lower

gate revenues and merchandise sales due to lower GDP growth, lower household disposable incomes, and lack of brand awareness and reputation management.

Infrastructure and capabilities

European professional football leagues and clubs use sophisticated and cutting-edge tools for marketing and sales logistics and distribution of professional football matches or merchandise that rely on the reputation of the leagues and clubs and take place before the beginning of the match. In Africa, the unavailability of sophisticated and cutting-edge tools for marketing and sales logistics distribution coupled with low availability of reputational, brand management and development skills have resulted in limited fan attendance, limited merchandise sales, and limited revenue streams.

Financial aspects

- **Total revenue**

European professional football clubs' total revenue in 2012 was on average 34 times larger than those of African professional football clubs. European professional football clubs' and leagues' total revenue in 2012 was 45 times larger than the African professional football league. In both European and African professional football clubs there is a positive relationship between clubs' total revenue and clubs' league position. This results support the assertion by Andreff (2001), that countries with bigger economic growth, especially GDP growth, active and large private-sector financing of sport, and well-developed sport systems such as world-class facilities, good sport science and management education, and great coaching tend to perform at higher levels and generate higher revenue. Clubs that develop good brand and reputation management, and generate higher total revenue as a result, can afford to attract high-quality players that will improve its competitive balance and will result in dominance of the league position.

- **Television and broadcasting revenue**

Globalisation of television and broadcasting rights allows Europe to generate significant revenue as the rights are sold across the world and television stations are willing to pay more money for rights. In Africa most of the professional football leagues' and clubs' brands are not necessarily well known globally. New media, which include Internet, social media and mobile data, represent a new stream of revenue for most European professional football leagues and clubs. This is made possible by the fact that Europe has a high penetration of Internet and mobile usage. Europe also has state-of-the-art data cables that allow high-speed Internet and transactions can take place online. Africa, on the

other hand, still uses the Internet mostly for information distribution as opposed to as a new source of revenue. This is partly due to low penetration of the Internet, the high cost of mobile connection and limited availability of technology skills in most of African countries. Both European and African professional football leagues and clubs depend not only on television and broadcasting rights but have diverse sources of revenue.

- **Sponsorship and merchandise revenue**

While the overall European professional football clubs' sponsorship and merchandise total value is much higher than that of African professional football clubs, African professional clubs are more dependent on sponsorship than on television. Merchandise sales are significantly lower in Africa and are the lowest source of revenue in African professional football clubs.

- **Other key issues**

The size of the economy, and average households income of the country where the professional football league and clubs are operating from influence revenue variables.

6.4 RECOMMENDATIONS

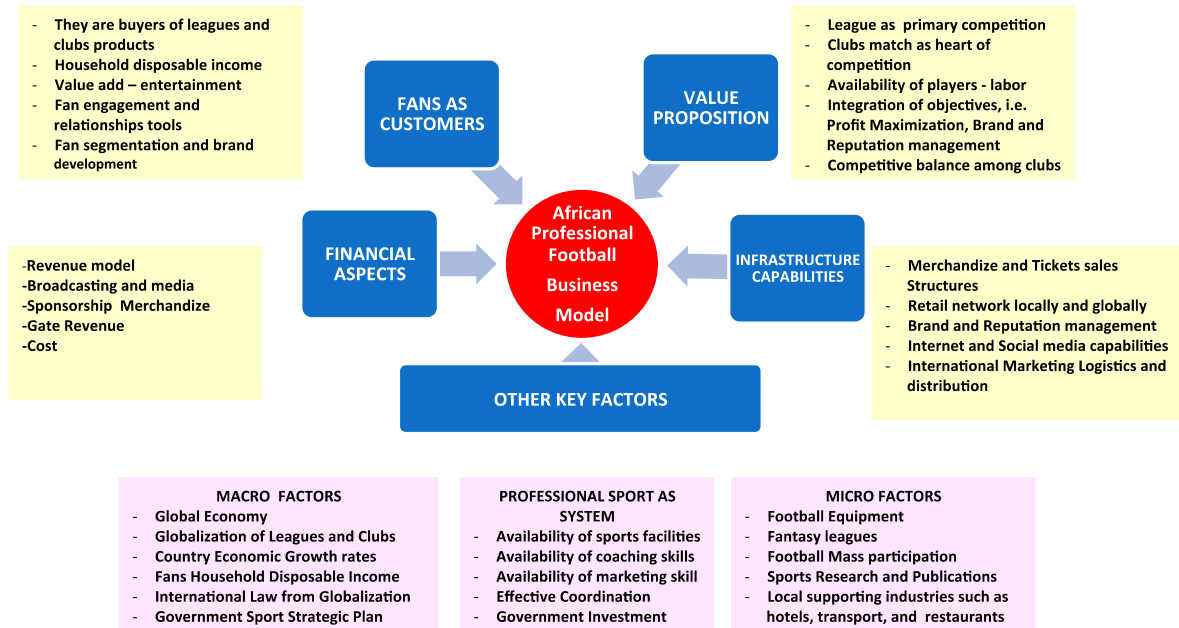
The following recommendations are made flowing from the results and conclusions:

Viable African professional football business model

In line with Objective 5 of this study, the following viable BM is proposed for the effective management of professional football on the African continent and presented in Figure 3.

FIGURE 3: Proposed African Professional Football Business Model

AFRICAN PROFESSIONAL FOOTBALL BUSINESS MODEL FOR THE EFFECTIVE MANAGEMENT OF PROFESSIONAL FOOTBALL LEAGUES AND CLUBS



It is recommended that African professional football leagues and clubs use this African Professional Football Business Model as a basis for the effective management of professional football in Africa. It is important for these leagues and clubs to note that while these variables are similar to those of Europe, the African context is unique and different and its needs and revenue streams have to be contextualised.

Value proposition

It is recommended that African professional leagues and clubs instead of seeing professional football development and profit maximisation objectives as separate and different from one another treat them as integral parts of their value proposition. It remains valid that while integration of these objectives into the value proposition is important, the emphasis will always be different and unique depending on national and local circumstances. For example, due to the stage of professional football development in Africa, emphasis will always be more on development of professional football, as long as professional football leagues and clubs

understand that sport development and profit maximisation are two sides of the same coin, and not two different and separate coins.

Fans as customers

It is recommended that African professional football leagues and clubs develop very specific tools to engage their fans for example, customer relationship management, social media, Internet, and mobile phones. Implementing this will improve their brand recognition and reputation management that will lead to finance and economic value.

It is further recommended that as part of their engagements with fans, managers of professional football leagues and clubs must conduct surveys to understand and cultivate the profile of their fans. Special attention needs to be paid to economic factors such as recession, and household disposable incomes to guide setting fair prices and adding value to the on-field match experience.

Infrastructure capabilities

It is recommended that Ministries of Sport in Africa work with private industry, including professional football leagues and clubs in their respective countries, to develop the necessary logistics and distribution infrastructure. Critical to this is the development of a long-term sport industry plan that deals with key issues such as vision of the sport, infrastructure, skills, leadership development or a sport industry master plan.

Financial Aspects

- **Total revenue**

It is recommended that African professional football leagues and teams recruit and employ appropriately qualified staff to develop financial strategies that are on the cutting edge of professional football management today. It is also recommended, that African professional football leagues and clubs investigate digital media as a possible new revenue source for leagues and clubs. It is critical to understand that very few African countries currently have the sophisticated technological infrastructure required to explore this opportunity to the fullest.

- **Television and broadcasting revenue**

African professional football clubs' sources of revenue are not diverse. Over-reliance on television and broadcasting as a source of revenue is not good, especially during difficult economic times. It is recommended that African professional football teams continue to find ways to diversify their revenue base. The low-hanging fruit in this regard is gate revenue and social media. It is recommended that value is added to the on-field experience to incite fans to buy tickets. A targeted relationship marketing strategy that includes a social media strategy is recommended.

- **Sponsorship and merchandise revenue**

It is recommended that African professional football find ways to diversify its revenue base. In the context of a professional football BM framework, branding and reputation management is a critical element of infrastructure to grow revenue. The more professional football teams build their brand locally, the more the revenue they can derive. It is also recommended that in addition to mining existing sponsors, African professional football leagues and clubs build their brands across their regions, and then globally. To achieve this, leagues and clubs have to develop the brand development plans and international marketing and sales infrastructure necessary for globalising their brands.

- **Gate revenue**

In the context of African professional football it is important to increase average match attendance in order to improve the contribution of gate revenue to a clubs' total revenue. Diverse strategies to increase gate revenue are fundamental to increased revenue.

Other key factors

It is recommended that all African governments should develop original, creative and motivating sport system strategic plans, supported by a well-designed set of policies to guide every component of their countries' sport development in order to shape their respective plans and policies. It is, however, important to recognise that African professional football business on its own cannot fulfil all the sports development needs. All other social sector agencies and institutions that traditionally function independently of each other have to be structured on the basis of strategic alliances at various levels under broad common themes with sport to ensure the appropriate coordination and alignment of programmes, structures and strategies. African

governments have to accept that the era of the business of sport has arrived. The impact of sport on the social and economic impact on communities will be enhanced and will continue to grow. The time for African governments to invest and capitalise on the contribution of professional football business is now. If left only to sports associations, leagues, and clubs, the social value of sport could be diminished as commercial forces take control of activities at the expense of society. The time has come for African governments at all levels to develop a focused and structured approach to increased funding and supporting sport in line with support enjoyed by professional football competitors such as Europe.

It is recommended that African leagues in particular invest in the development of identified critical skills such as marketing, brand development, reputation management, finance and leadership skills. African professional football leagues need to develop clear education programmes to build these skills over a period of time for their African professional football clubs. Ultimately, African governments have to realise that the lack of development of specific industry-needed skills can hamper the creation of financial and economic value. It is in the interest of economic growth, job creation and poverty relief that African governments support industries such as sport to meet these important social and economic objectives.

6.3 IMPLICATIONS FOR FURTHER RESEARCH

The findings of this study raised several questions and trends regarding the current and future effective management of professional football business in Africa. The following opportunities for further research could be explored:

African professional football and entertainment

While the commercial dynamics of sport and entertainment have always overlapped, the two are now closer than ever before. With African professional football clubs averaging 30% match attendance, this is one area that can be considered a low-hanging fruit. By just improving match attendance, commercial viability could be improved. More research in this regard is required. It is important for African leagues and clubs to understand which important variables impact on fan attendance.

African professional football and new digital media

A further area of convergence between African professional football and entertainment is the rising use of social media. Social networking continues to create opportunities and challenges for traditional broadcasters and African professional football leagues and clubs. With Internet connectivity in Africa very low, many African clubs continue to lose out. There is a need to understand that given technological progress, what African professional leagues, clubs and governments can improve in this area in order to benefit from this fast-growing new revenue source.

Commercial challenges facing African professional football business

African professional football business continues to face challenges on the financial and commercial front. Many of these relate to the impact of economic uncertainty and consumer caution, which are affecting all football fans. There is a need to develop profiles of the fans in African countries and to understand the underlying impact of the economic and commercial challenges of African sport in general and professional football in particular.

Competitive balance

African football fans have identified the quality of the on-the-field match performance as critical for match attendance. Among factors affecting on the field match performance is the quality of the head-to-head competition between the teams in the league. The more balanced the teams are in terms of strength, the more competitive the league and the higher the match attendance. There are several other factors that affect match attendance. More research is needed to understand what factors in Africa are important to improve competitive balance among African professional teams.

Globalisation of African professional football business

A further challenge for African leagues and clubs is the increasing pressure to grow their fan base and brands in new international markets, while at the same time maintaining the local support base and the integrity of their competitions. Globalisation of African professional football will present opportunities for new sources of revenue such as television and sponsorship. In this study it was indicated how Europe's revenue growth was attributable largely to globalisation of professional leagues and clubs. Africa still lags behind significantly in this regard. More research needs to be pursued in order for African leagues and clubs to explore this area from a well-informed perspective.

6.4 FINAL STUDY CONCLUSION

This study explored the reasons why most African professional football leagues and clubs are not commercially viable and presented a baseline model for the effective management of professional football business in Africa. The value of the suggested African Professional Football BM's is that only those African professional football leagues and clubs that are actively involved in putting in place well aligned, global, coordinated and integrated professional football business models that are functional and performance orientated will produce high financial and economic value that can contribute to economic development, job creation, and the total transformation of professional football on the African continent. It has to be stressed that this investigation was approached using European and African professional football BMs. While some of the conclusions may be generically applied to other sports, no such claim is made.

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8. LIST OF APPENDICES

1. **Semi-structured Interview Questions**
2. **Consent Form**



8.1 Semi-Structured Interview Questions

PERSONAL PROFILE:

PERSONAL DETAILS:

NAME:

POSITION:

EDUCATION:

ORGANISATION:

1. Value proposition

- How important is it for the Professional Football League and/or clubs to have a clear objective as part of their value proposition?
- How important is it for professional football leagues/teams to have brand development and reputation management as part of their value proposition?

2. Target customers

- Sports fans are the principal support of the entire system. How important is it for leagues and clubs to develop a good relationship with their fans?
- In terms of revenue generation (gate revenue, merchandise), what are important variables for increasing fans' match attendance and positive affinity to the team/league they support?
- Is there any relationship between fans as principal supporters and their ability to attend a match or buy a jersey and their level of household income?

3. Infrastructure and capabilities

- How important are the marketing, sales, and reputation management skills and capabilities for professional football leagues and clubs?
- Why are effective distribution networks in terms (ticket sales, retail stores, media, partnerships) critical for successful revenue generation?

4. Financial aspects

- merchandise
 - sponsorships
 - gate revenue

- television and broadcasting

5. Other key factors

- size of the economy

- facilities

- skills

- presence or absence of sophisticated financing tools



INFORMED CONSENT TO TAKE PART IN RESEARCH

I _____
(Full name of prospective participant)

have been informed of the procedures and requirements to participate in a research project with the title: **The business of sport: towards a viable business model for the management of professional sport in Africa**, to be conducted by means of a semi-structured interview. The nature, purpose, procedure, risks, benefits to me and my rights as stated below have been explained to me and I understand them:

Purpose: The purpose of this study for a PhD degree at the University of Pretoria and possible publication. This information is needed in order to improve the learning programmes in the Department of Sport and Leisure Studies, and further research.

Procedures: As a participant in this study, I am voluntarily selected based on my expert knowledge. I am aware that my participation will involve participating in a once-off semi-structured interview. My responses will be reported on collectively. My name will not be revealed in any way. The researcher will schedule my participation at a time and place that is convenient for me.

Risks: As there are no foreseeable risks involved with participation, I thus willingly participate in the said research project. Should I experience any discomfort during the discussions, I am aware that I am entitled to withdraw from the project at any time if I should so wish.

Benefits: There are no direct financial or other benefits involved for me for taking part in this research. I understand that these research outcomes may benefit me academically in the future through the development and implementation of a conducive learning environment.

Participants' rights: Participation is voluntary and I may withdraw from participating in the study at any time and without negative consequences. The researcher has no obligation towards me as a respondent apart from ensuring anonymity and confidentiality.

Confidentiality: All data collected during the interviews will be treated as confidential. My name will not be connected to my responses and the recorded data will be destroyed should I withdraw from the study.

Rights of access to the researcher: As a participant in this study I have the right to contact the principal researcher when there is a need for clarity pertaining to the study or in order for clarity on any issue, should doubt arise. I have been informed about the contact details of the researcher.

Storage of data: I understand and accept that computer files will be kept and will be stored for 15 years at the Department of Sport and Leisure Studies, University of Pretoria.

I hereby also grant the researcher permission to use my results for publication, presentation purposes, or for future research purposes with my information's confidentiality being ensured.

_____ 29 Oct 15 _____

Signature of prospective participant

Date

Tel: ___0124206040_____ Cell: ___08248899730_____

Researcher

Moeketsi Mosola (012 420 6040/moeketsi.mosola@up.ac.za)

On behalf of the Department of Sport and Leisure Studies