

## **Towards a viable business model for the management of professional football in Africa**

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### **Abstract**

Professional football clubs, as a significant element of the African and South African sports industry, find it increasingly difficult to balance the needs of shareholders and fans, and be commercially viable concurrently. It is in stark contrast with European professional football clubs in the UEFA (European Football Association) and English Premiership leagues that consistently enjoy financial success and growth. The business models of European professional football is highly structured, and reliable data are available through detailed financial statements of professional football clubs and industry reports. In stark contrast, in Africa, professional football business models are almost non-existent. This study aims to propose a viable business model for managing professional football in Africa. Specific objectives were to explore the variables of professional football business models, examine and compare quantitative financial data of identified business model variables, evaluate qualitative views of professional football experts on the relevance and significance of business model variables and propose a viable business model for professional football in Africa. A mixed methods research design was used to collect data by analyzing business models and financial statements of professional football clubs and conducting semi-structured interviews with a purposive sample of senior executives in professional football in Europe and Africa. Findings indicated that elements of the revenue-generating business are standard across African and European professional football models but that African clubs under-utilize these elements. Qualitative data corroborated this finding, and a business model for African professional football clubs was proffered.

**Keywords:** Professional football, business model.

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### **Introduction**

Sport plays a major role in the lives and psyche of not only ordinary Africans, but also those in the corporate world. The era of professional sports continuously grows, and as it gains a foothold in more and more sports, so the amount of money spent is growing as well. Researchers (Adcroft & Teckman, 2009; Cornelissen, 2007) agree on the commercial value of the business of sport and emphasize that

sport should be taken seriously as its significance and impact go beyond the field of play to include the economic and commercial spheres.

As sport and mega sports events such as the Olympic Games and the Fédération Internationale de Football Association (FIFA) World Cup evolved on a global scale, professionalization, commercialization, and global media emerged as driving forces. Gratton, Liu, Ramchadani and Wilson (2012) claim that marketing and globalization, driven by global television media and multinational corporations, have radically transformed the nature of the modern professional sport, turning it from an amateur playful activity into a multibillion-dollar business and established industry. According to PriceWaterhouseCoopers (PwC, 2013), the estimated size of the global sports market is growing at an annual rate of 3.8%. Africa accounts for less than 5% of the global sports market, suggesting that Africa still lags behind Europe and North America in terms of the practical commercialization of especially professional team sports. The lack of the business of sport is supported by the fact that data on sports in Africa are mainly available in South Africa, Nigeria, and Kenya. South Africa has the best data sets and records, and particularly, professional football contributes the lion's share to sports revenue in Africa (PwC, 2013).

In their 2013 report on the global sports market, PriceWaterhouseCooper points out that professional football clubs, as a significant element of the African sport industry, find it increasingly difficult to balance the needs of stakeholders (shareholders and fans) and be commercially viable at the same time (PwC, 2013). It is in stark contrast with European professional football clubs in the UEFA and English Premiership leagues that consistently enjoy financial success and growth. As a result of ineffective commercialization of the value and popularity of professional football in Africa, clubs are required to re-visit their business models to ensure that scarce resources are procured and allocated productively. This must occur in such a way as to yield optimum satisfaction for their fans, and commercial profits for club owners.

It is generally accepted that the paradigm shift from amateur to professional sport prompted sport organizations to adopt business models to govern and manage their organizations as business entities (Rosner & Shropshire, 2010, Andreff & Szymanski, 2006; Maguire, Jarvie, Mansfield & Bradley, 2002). According to Osterwalder and Pigneur (2002), the term "business model" refers to a conceptual management tool that contains a set of business categories and their relationships, and expresses the business logic of a specific organization. A business model (BM) reflects how organizations design and define their products, services, select their customers, define the tasks it will perform, configure its resources, create utility for customers and ultimately generate revenue and maximise profit. According to the generic business model proposed by Osterwald and Pigneur (2002), an organization can structure the logic of its business through four generic

business categories, namely; 1) value proposition, 2) customer management, 3) infrastructure management and 4) financial aspects.

The four generic business categories reflected in the generic BM of Osterwald and Pigneur (2002) should apply to any business context, for example, the business of sport. The business of sport, however, has unique characteristics that distinguish it from general business contexts. A BM of professional sport would, therefore, have to accommodate the unique aspects of the business of sport. The Harvard Business of Sport Model (Foster, Greyser & Walsh, 2006) and Borland's Economic Production Model of Professional Sports Teams (Borland & McDonald, 2003) are two BM's that address the complexity and uniqueness of the business of sport. The Harvard Business of Sport Model consists of four principal revenue-generating business categories: 1) competition (the game), 2) incremental revenue resources such as television and broadcasting, sponsorship, licensed merchandise, publications, retail outlets, and in-stadium revenue, 3) other key elements such as equipment and facilities, and 4) fans as the foundation of the business of sport and the principal support for the business of sport. This particular model is a marketing-based model which reflects the critical role that marketing, promotion, and selling plays in the sports business landscape (Foster *et al.*, 2006).

Borland and McDonald (2003), in their Borland's Economic Production Model of Professional Sports Teams, agree that competition between two professional sports teams constitutes the basic building block of professional team sport. In this particular BM, competition is broken down further into four pillars, namely: 1) availability of eligible players, 2) clubs to house, organize and manage players, 3) leagues to hold the competition, and 4) a facility where the game takes place. Borland and McDonald (2003) explain that in addition to competition as a primary component, there are other critical business components in the professional sports production model. Namely, suppliers of labor (school sport, junior sports leagues, university sport), fans as consumers of sport, viewers who watch competitions on television, the internet as well as listeners of competition broadcasts on radio. These components contribute to the production of revenue and economic activity in professional sport.

It is argued that professional sport, and precisely professional football, can only generate revenue according to one of the business models of sport discussed above. Sport business models, however, are flexible, and components from different business models can be combined to suit the needs and business contexts of particular professional football organizations. For example, a professional football match against a competitor can be organized like a value proposition, as proposed by Borland's Economic Production Model of Professional Sports Teams (Borland & McDonald, 2003). Training of athletes could, however, follow the Harvard Business Model for Sport, while financial aspects are handled according to the stipulation of a generic business model. A combination of business models

seems to be acceptable practice in professional sport and specifically in professional football. A combination of sports business models, therefore, consists of five business components that capture the revenue-generating economic activity of professional football in Europe and Africa (Mosola, 2017). The five revenue-generating elements could be merged as follows: 1) value proposition (games, leagues, clubs, teams, and players), 2) target customers (football fans, gate revenues and merchandise sales), 3) infrastructure and capabilities (marketing, ticket sales, retail stores, media and partnerships), 4) financial aspects (sponsorships, television and broadcasting rights), and 5) other key factors such as size of the economy of a particular country, available facilities, marketing skills and the presence or absence of sophisticated financing tools.

Analyzing the business models that drive professional football in Europe indicates European professional football clubs as the primary value generating units in a combined business model for sport (Deloitte & Touche, 2013, PwC, 2013). For example, Manchester United, playing in both the English Premiership and the UEFA football league, represents one of the most successful professional sports teams in the world and developed one of the world's leading sports brands with a global community of 659 million followers. Its revenue-generating activities are based on the five components of a combined business model for sport (Mosola, 2017).

In contrast, professional football in Africa is less structured and limited research on African professional football business models is available (Bouchet & Kaach, 2004). Bouchet and Kaach (2004) were probably the first to point out the existence of business models for professional football. According to them, professional football business models in Africa show the characteristic features associated with sports in developing countries such as underdeveloped physical education and sport participation, low financing of the games, absence of financing instruments for professional sports teams, few sports facilities, and lack of trained coaches. Despite the low level of organization and poor infrastructure, football is a popular sport in Africa (Luna, 2013). When compared to the rest of the world, African professional football teams fare surprisingly well, considering their lack of resources and low gross domestic product (GDP) per capita (Weaver, 2015). South Africa and Egypt are exceptions to the general context of professional football in Africa. Both countries have thriving professional football leagues with lucrative television and sponsorship deals, and substantial numbers of followers. For example, Kaizer Chiefs, a South African professional football club, is regarded as the most successful club on the African continent (PwC, 2013; Sandlanders & Supporters Direct, 2014). While Egypt and South Africa are exceptional cases on the African continent, one may argue that African domestic professional football leagues could be economically and commercially successful given the implementation of appropriate business models.

The above context leads to the research question for this study, that is, "*Why are most African professional football clubs not commercially viable?*" Given the immense popularity of football and professional football teams in Africa, the above research question leads to the aim of the study, which was to propose a viable business model for the management of professional football in an African context. Specific objectives were to explore variables of professional football business models, examine and compare quantitative financial data of identified business model variables, evaluate qualitative views of professional football experts on the relevance and significance of business model variables, and consequently suggest a viable business model for professional football in Africa.

## **Methodology**

### *Research design*

In the context of a mixed methods research design, quantitative and qualitative data were collected and analysed in this study.

### *Study sample*

A three-tiered purposive sampling technique was implemented. The following five units of analysis were included in the first tier of the purposive sample:

1. The English Premiership League (EPL)
2. South African Premier Soccer League (PSL)
3. PricewaterhouseCoopers (PwC) (South Africa)
4. Deloitte (United Kingdom)
- 5 South African national Department of Sport and Recreation

Although it is acknowledged that professional football leagues exist in many of the 54 African countries that are affiliated to FIFA, South Africa has one of the best commercial football leagues in the continent. In the second tier of the purposive sample, Kaizer Chiefs Football Club (KCFC) was, therefore, selected as reference point for African countries, while Manchester United Football Club (MUFC) was designated as reference point for the EPL.

Seven respondents (n=7) representing senior executives involved in professional football constituted the third tier of the purposive sample:

1. One senior executive from EPL
2. One senior executive from PSL
3. One senior executive from Manchester United Football Club (MUFC) (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)

### *Research instruments*

Content-validated semi-structured interview guide and desktop research were used as study instruments. Development of the research instruments was guided by the study's objectives and a review of the literature on football business models (Foster, Greyser & Walsh, 2006; Rosner & Shropshire, 2010; Deloitte & Touche, 2013).

### *Data collection procedures*

Quantitative data were collected through analysis of audited financial statements between 2009 and 2013 of the EPL, MUFC, PSL and KCFC. Quantitative data were also gathered from analysing research reports on professional football generated by PwC and Deloitte, which are interationally reputable audit firms.

Qualitative perceptions of respondents on the significance of identified elements and sub-elements were evaluated through face-to-face and telephonic semi-structured interviews. The semi-structured interview approach was used to ensure that the researchers asked pertinent and consistent questions. Specifically, the researchers intended to elicit views and opinions from football business experts. Qualitative interviews were considered to be appropriate as some knowledge required to conduct this research is held in the individual and corporate memories of the purposively selected individuals and organisations. Semi-structured interviews were recorded with the the respondents' informed consent and supplemented with personal notes taken by the researchers during the interviews.

### *Data analysis*

Quantitative data analysis was performed according to the International Financial Reporting and Analysis Standard (IFRS) for interpreting financial data (Certifies Financial Analysts Institute, 2013). Using a combination of generic business models and the Harvard Business of Sport Model, the key elements of value proposition, target customers, gate revenue, infrastructure and management capabilities, financial aspects and other key factors emerged. Business models used by professional football clubs in the EPL and PSL were analysed and compared based on the identified elements. Where variations in financial data between clubs and leagues existed due to differences in commercial arrangements, and ways in which transactions were recorded, the researchers used both the Generally Accepted Accounting Framework (GAAP) and International Financial Reporting Standard (IFRS) framework to facilitate consistent quantitative comparisons and analysis. A draft business model for professional football in Africa emerged from the quantitative analysis and was used as basis for the semi-structured interview elements and questions conducted with the purposively selected respondents.

### *Ethical considerations*

Ethical clearance for this study was granted by the Ethics Committee of the Faculty

of Humanities, University of Pretoria, South Africa (Reference number 14015138). Respondents were informed about the aim and scope of the study before conducting face-to-face or telephonic semi-structured interviews. All respondents provided recorded verbal or signed informed consent before data collection. Audited financial statements of the professional football clubs in the purposive sample are in the public domain and therefore no ethical considerations were deemed necessary. Research reports from PwC and Deloitte were purchased by the researchers and used as supplementary data source.

## **Results and Discussion**

The study aimed to propose a business model for professional football in Africa by identifying and comparing commercially viable professional football club business models and testing these elements against the perceptions of purposively selected European and African professional football experts. The results and discussions below are presented under the following headings: Comparison of professional football business models, quantitative financial data of European and African professional football business models, qualitative perceptions of European and African professional football experts and a viable African professional football business model.

### *Comparison of professional football business models*

Elements and sub-elements of a combined generic and Harvard Business Model of Sport were used as units of analysis to explore and compare business variables of European and African business models of professional football. The results of this comparison are presented in Table 1. It is evident in Table 1 that the elements of revenue-generating business are common across European, and African professional football models.

All models reflect the five elements and sub-elements of value proposition, target customers, infrastructure and capabilities, financial aspects, and other key elements. How these elements are developed, however, differs between European and African BMs. In value proposition as a revenue-generating element, for example, European professional football leagues and clubs have profit maximization 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 finding a league regulatory structure which minimizes costs.

In Africa, with limited profit maximization as objective, leagues, and clubs, on the other hand, seek to influence their evolution in such a manner that resources are allocated to yield optimum satisfaction for their fans first, before commercial profits for their club owners. In Europe, due to a well-organized 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 merchandise sales.

**Table 1:** Comparison between Combined Generic, European, and African Business of Sport Models.

Elements of a combined business model	European business model of professional football	African business model of professional football
<b>Value proposition:</b> Competition (games) Market structure of the professional sport	Profit maximization. Open leagues with relegation and promotion. A large number of professional football clubs. Well-organized professional football clubs with a high competitive balance. Results are mostly unpredictable.	Limited profit maximization Open leagues with promotion and relegation. A large number of professional football clubs. Professional football clubs are not well-organized and have low competitive balance. Results mostly predictable.
<b>Target customers:</b> Sports fans as the principal support of the entire system (gate revenue, merchandise)	Strong fan support base. The average attendance per match is 80% of stadium capacity.	Fan base is limited due to lower household income and a lack of sophisticated marketing and sales infrastructure. Average attendance per match is 30% of stadium capacity.
<b>Infrastructure and capabilities:</b> Marketing, sales, and reputation distribution networks (ticket sales, retail stores, media, partnerships).	Professional football clubs have advanced and sophisticated marketing and distribution channels.	Basic marketing and distribution channels for most professional football clubs in Africa except in South Africa and Egypt.
<b>Financial aspects:</b> Gate revenue Sponsorships Television and broadcasting Sales of club merchandise	Gate revenue is a significant source of income Sponsorships are the second-largest source of revenue Television and broadcasting are the fastest growing and most significant source of revenue. Sales of merchandise smallest source of revenue but growing.	Gate revenue is limited. Sponsorship is the largest source of revenue and is growing. Television and broadcasting are the fastest growing and second-largest source of revenue. Sales revenue from merchandise is small and stagnant.
<b>Other key factors:</b> Economic scenario Skills set Football facilities Globalization and football leagues	Embedded in countries with high GDP and household incomes. Football clubs have managers with highly developed skill sets. Facilities of professional football clubs are well-developed. Professional football leagues have a highly globalized fan base.	Embedded in countries with low GDP and household incomes. Football club managers have lowly developed skill sets. Facilities of professional football clubs are not well-developed. Professional football leagues do not have a globalized fan base.

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 income, and lack of brand awareness and reputation management (Andreff & Szymanski, 2006).



Infrastructure and capabilities suggest that spectators do not know in advance whether the football match will meet their expectations. Building up reputation and brand awareness is, therefore, necessary for success in professional football. Results indicated that professional football clubs in Europe use sophisticated and cutting-edge tools to market their clubs that rely on the reputation of the respective league and club. In Africa, the absence of modern marketing strategies is associated with a low reputational image and brand awareness that result in low fan attendance, limited branded merchandise sales, and therefore limited revenue streams.

The size of the European professional football business is significantly larger than that of Africa due to differences in television and broadcasting rights and global brand awareness. Furthermore, the comparative analysis also revealed that African professional football models seem to be characterized by features associated with the sport in developing countries; namely, limited financing for professional sports teams, low GDP growth, poor management skills, lack of global fan base, and underdeveloped facilities (Bouchet & Kaach, 2004).

The overall conclusion that can be drawn from Table 1 is that in Europe, increased strategic investments in professional football depend on sophisticated, innovative, well-coordinated, harmonized, focused approaches to football development and management that ensure sustainable delivery of football with successful economic and financial results. Conversely, African professional football systems do not benefit sufficiently from all available elements to enhance the financial and economic viability of professional football.

#### *Quantitative financial data of European and African professional football business models*

Financial data of professional football leagues and clubs were analyzed according to the revenue items of television and broadcasting, sponsorship, merchandise sales, and gate revenue. The total revenue of professional football leagues in Europe (English premier football league - US\$3,020 billion) in the period under investigation (2009/10-2011/12) was 45 times bigger than that of an African professional football league (e.g. SA PSL - US\$69,7 million). This reflects both more significant economic activity and greater corporate funding of professional football in Europe relative to Africa. Higher GDP growth and household incomes mean sports 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 international development aid (Andreff, 2001). This results in mostly underdeveloped league structures and suggests that Africa still lags behind other continents in terms of commercialization of professional football business.

The quantum of the television and broadcasting revenue has been by far the most impactful in professional football business in Europe. In South Africa, for example, the PSL's television and broadcast rights revenues have increased to around US\$100 million by 2011/12 from US\$37 million in 2009/10. The majority of the increase is attributed to a television broadcaster, SuperSport, the PSL TV rights owner (PriceWaterhouseCoopers, 2013). This can be interpreted to support the claim that television and broadcasting revenue will remain a vital source of income for professional football leagues and clubs in African countries. African professional football leagues may increase their revenue by globalizing their leagues and clubs, and including brand development and reputation management as part of their value proposition (Mosola, 2017). 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 (Mosola, 2017).

The total value of European television and broadcasting revenue is more significant than in Africa because television and media rights are sold globally beyond the borders of England and Europe. This suggests that the globalization of television and broadcasting rights is a necessary step towards growing the revenue of a professional football league, as the most of this increase comes from overseas broadcast rights, which are shared equally amongst the 20 clubs in the EPL. In the period under investigation, the benefit was evenly distributed, with each club receiving around US\$7.3 million in additional revenue each year over three years. To achieve this milestone, 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 globalized professional football leagues and clubs in view of the huge revenue potential which could accrue from such partnerships.

In both European and African professional football leagues, sponsorship and merchandise revenue is the second-highest source of income 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%) (Mosola, 2017). European sponsorship is significantly higher than that of African professional football leagues in real terms (Mosola, 2017). This finding supports data which show that both television and sponsorships have been mostly responsible for the revenue growth experienced in the professional football business. Andreff (2001) claims that significantly active and viable private corporates are critical for revenue growth through sponsorship association with professional football leagues, and the more globalized the league, the more huge global sponsors will be inclined to be associated with successful professional football leagues.

Sponsorships acquired by professional football leagues primarily drive funding and merchandise revenue. 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. Football clubs with stronger global profiles and fan interest earned significantly more than UK or regionally focused clubs, which found market conditions more challenging (Noll, 2002). Manchester United is an excellent example in Europe and Kaizer Chiefs in Africa. Income from the merchandise is significantly lower in the South African PSL and is the smallest source of revenue to professional soccer leagues both 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 in order to reduce the current overwhelming dependence on television revenue.

In the period under investigation, the revenue of Manchester United Football Club grew from US\$334.0 to US\$384.4 million. This revenue growth indicates that English professional football, especially at the top level, generates much higher income than their counterparts in Africa (Mosola, 2017). For example, in the same financial period, Kaizer Chiefs professional football club's revenue increased from US\$9.1 to US\$13.3 million (Mosola, 2017), mainly due to the introduction of the new television and broadcasting rights contract with SuperSport, the company which controls the sporting channels on MultiChoice's Digital Satellite Television (DSTV). Relative to other European professional clubs' total revenue, Kaizer Chiefs' income is minimal. Manchester United's aggregate revenue is 34 times greater than that of Kaizer Chiefs, indicating disparities in size and scale of football business in Europe relative to Africa (Mosola, 2017). This result supports the assertion by Andreff and Szymanski (2006) that countries with more significant economic growth, especially GDP growth, active and sizeable 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.

#### *Qualitative perceptions of European professional football experts*

The key variables that emerged from a comparison of professional football business models and quantitative financial data formed the basis for exploring the opinions of the purposive sample of professional football experts. The European respondents in the purposive sample mostly agreed that having clear objectives as part of their value proposition is very important. All European respondents also agreed that the profitability of professional football leagues and clubs is very important. Three out of four of the experts agreed that in Europe, profitability is the overriding objective. This result is supported by the following quotation from one of the respondents:

*"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.”*

Results indicate that most of the experts pointed out that positive relationships between brand development, reputation management, and revenue growth are very important, as emphasized by 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 the 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 which do not.

All four of the European experts unanimously agreed that it is very important for professional football leagues and 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 indicated that it is 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 needed 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.”*

Also, the European experts suggested that leagues and clubs need to be careful about the impact of rising ticket costs on their fans. One of the experts stated as follows:

*“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 of the experts agreed that it is very important for professional football leagues and clubs to have marketing, sales, brand, reputation management skills, and capabilities. Several statements by the experts support the importance of this variable as exemplified by the following excerpt:

*“...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, the football experts suggested in the following

statements that an international marketing and sales infrastructure is needed for the successful globalization of the professional football leagues and clubs' brands.

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

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

All four experts agreed that financial aspects are crucial for professional football leagues and football clubs as key elements of a viable professional football business model. It overwhelmingly confirms the critical importance and relevance of this variable for professional football leagues and clubs. The experts perceived both television and broadcasting rights, and sponsorship as the primary sources of revenue for professional football leagues and clubs. For example, one of them stated thus:

*“This gives us to 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 mainly due to the successful globalization of the EPL and branding of its professional teams. A strong relationship between globalizing a team's brand and revenue growth was suggested:

*“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, most of the European experts suggested that social, digital media represents a new source of revenue that leagues and clubs in Europe are already taking full advantage of. Citing the example that Manchester United Football Club and the EPL are already benefitting from this new source of revenue, an expert stated:

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

Some of the European experts agreed that the size of the economy and household income in countries where the professional football league and clubs are operating are not only essential but crucial. Also, the experts confirmed that the disposable income of club fans and supporters is an essential determinant of its 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 aptly 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 above qualitative perceptions, it can be deduced that macro-economic factors such as the countries' and global economic growth, disposable household incomes, and presence and size of private sectors to finance sport are critical factors of successful professional leagues and football clubs. Due to the globalized nature of professional sport, global recession and adverse economic conditions may affect the business model and revenue of professional football leagues and clubs.

#### *Qualitative perceptions of South African professional football experts*

Semi-structured interviews were also conducted with a purposive sample of four South African experts on professional football. The same questions were posed to them as for the European experts. The South African respondents agreed that a professional league and football club must have clear objectives as part of their value proposition. There was a general agreement amongst the respondents that in African countries the overriding objective of professional football is development, as supported by this quotation:

*"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 that there is some profit motive, it is limited. Results indicate that all four African respondents strongly agreed that there is a positive relationship between brand development, reputation management, and revenue growth. This view is expressed in the following statements:

*"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."*

From this analysis, it is clear that for Africa, the development of professional football is more than maximizing 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 African professional football experts concurred that professional leagues and football clubs must develop a good relationship with their fans as they are the principal support of the entire system of the professional football business. They further stated that it is essential that leagues and clubs pay attention to economic factors affecting fans, such as fans' disposable income. The respondents emphasised that fan engagement is vital as supported by the following statement:

*“The game has changed and that the club has more engagements with supporters than ever before.”*

The African respondents agreed that it is essential for professional football leagues and clubs to have marketing, sales, brand, and reputation management skills and capabilities. They highlighted the importance of developing leadership and partnership skills in professional football business management strategy, as is indicated in the following quote:

*“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, respondents suggested that an international marketing and sales infrastructure is needed for successful globalization of the African professional football leagues and clubs 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.”*

The African respondents also agreed that financial aspects are crucial for professional leagues and football clubs as critical elements of a professional football business model. They perceived television and broadcasting rights and sponsorship as primary sources of revenue for professional football leagues and clubs, as expressed in the following statement:

*“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.”*

At the time of this study, ABSA (Amalgamated Banks of South Africa) was the main sponsor of the South African PSL.

In Africa, however, the bulk of the television and broadcasting revenue comes from local domestic markets. When asked about possible future revenue sources, respondents suggested that mining existing sponsorship relationships to get more out of them was vital in Africa, as sponsorship opportunities are minimal. For instance, a professional football club’s senior official stated as follows:

*“The sponsorships are there, but you look at the many partnerships, 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 sponsorship, and now we have the Kaizer Chiefs sim-card. You can go out and have your Kaizer Chiefs free mobile starter pack, so that's exciting. With Nike, the business is there in terms of replicas, etc.” -*

The African respondents generally supported the view that household income and the size of a country's economy where the professional football league and clubs are operating are essential. Also, the experts indicated that the disposable income of club fans and supporters is a critical determinant for revenue growth. The lower the disposable income, the lower the match attendance and fans' ability to purchase team jerseys and related memorabilia. This view is encapsulated in the following statements:

*“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 the high prices of tickets and weak economic conditions.”*

#### *A viable African professional football business model*

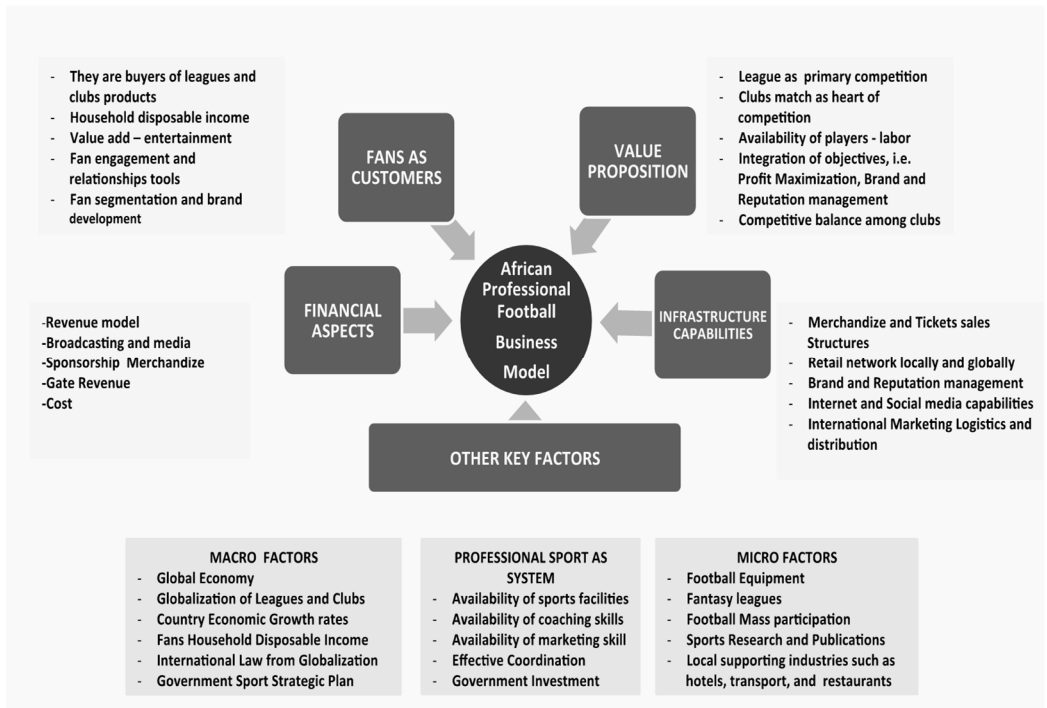
In the context of the results of this study, overall key conclusions were drawn as well as findings specific to the Business Model variables discussed. African professional football Business Model is presented in Figure 1. The model contains variables that are similar to those of the European and Generic Business Models. These variables are: 1) Value proposition, 2) Target consumer, 3) Infrastructure capabilities, 4) Financial aspects, and 5) Other vital factors.

These outcomes confirmed that the identified variables are appropriate to use as a basis for designing a viable African professional football Business Model for effective management of professional football. That the African leagues and clubs that incorporate these variables into their Business Model stand to be more commercially successful than those that do not. African professional football Business Models approach reputation management and brand development differently from European professional football models, which put more emphasis on sales and marketing (infrastructure aspects), and gate revenue, television rights, sponsorship, and merchandise (financial aspects).

The model proposes 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 programs to build these skills over time for their African professional football clubs. Ultimately, governments in Africa have to



realize that the lack of development of specific industry-needed skills can hamper the creation of intended financial and economic value.



**Figure 1:** Proposed African Professional Football Business Model.

It is in the interest of economic growth, job creation, and poverty relief that African governments support industries such as sport to meet these critical social and economic objectives.

African professional leagues and clubs, instead of seeing professional football development and profit maximization objectives as separate and different from one another, must treat them as integral parts of their value proposition. It remains valid that while integration of these objectives into the value proposition is essential, the emphasis will always be different and unique depending on national and local imperatives. For example, due to the low stage of professional football development in Africa, the focus will always be more on the development of professional football. This will persist as long as professional football leagues and clubs understand that sports development and profit maximization are two sides of the same coin and not two different and separate entities.

African professional football leagues and clubs should develop concrete tools to engage their fans; for example, customer relationship management, social media, Internet, and mobile phones. Implementing these tools will improve their brand recognition and reputation management that will lead to finance and economic value. Also, 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 disposable household incomes to guide the setting of affordable prices and thereby adding value to the on-field match experience.

To increase their turnover, African professional football leagues and teams should recruit and employ appropriately qualified staff to develop financial strategies that are on the cutting edge of contemporary professional football management. 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.

African professional football clubs' sources of revenue are not diverse. Over-reliance on television and broadcasting as a source of income is not right, especially during difficult economic times. African professional football teams should continue to find ways to diversify their revenue base. The low-hanging fruit in this regard is gate revenue and social media. Gate revenue constitutes an essential element of a viable African business model for professional football. In the context of African professional football, it is crucial to increase average match attendance to improve the contribution of gate revenue to a club's total revenue. Diverse strategies to increase gate revenue are fundamental to increased revenue. It is recommended that value is added to the on-field experience to encourage fans to buy tickets. A targeted relationship marketing strategy that includes social media strategy could be a viable option.

African professional football should find ways to diversify its revenue base. In the context of a professional football BM framework, branding and reputation management are a critical element of infrastructure for revenue growth. The more professional football teams build their brand locally, the more the revenue they can generate. In addition to mining existing sponsors, African professional football leagues and clubs should build their brands across their regions, and then globally. Leagues and clubs have to develop brand development plans and international marketing and sales infrastructure necessary for globalizing their brands.

### **Limitations of the study**

The limitations of the study include the small purposive sample of commercially successful professional football clubs as well as the low number of professional football experts in the semi-structured interviews. A higher number of respondents and commercially successful professional football clubs in Africa could enhance the richness of results. The findings of this study should be interpreted with these constraints in view.

## Conclusions and recommendations

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 proposed African Professional Football Business Model can only be derived by those African professional football leagues and clubs that are actively involved in putting in place recommended strategies. They have to implement well-aligned, global, coordinated, and integrated professional football business models that are functional and performance-orientated. If done correctly, it 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.

Based on the findings of this study, it is recommended that African professional football leagues and clubs implement the proposed African Professional Football Business Model as a basis for the effective management of professional football in the continent. African professional football leagues and clubs need to note that while the variables in the proposed business model are similar to those of European countries, the African context is unique and different; therefore, its needs and revenue streams have to be contextualized.

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